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U.S. Department of Agriculture

1967 BUDGET

EXPLANATORY NOTES

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RURAL COMMUNITY DEVELOPMENT SERVICE

Purpose Statement

The Rural Community Development Service was established by the Secretary of Agriculture's Memorandum No. 1570 dated February 24, 1965. The Service provides leadership within the Department of Agriculture in formulating plans and evaluating operations pertaining to development of natural human resources in rural communities. It formulates plans for and evaluates operations of the "outreach" functions designed to assure rural citizens of a fully equal opportunity to participate in all services and benefits of the Federal Government for which they are eligible. This function is performed by operating USDA agencies in conjunction with their regular programs. It maintains continuous liaison with other USDA and non-USDA Federal agencies to oversee and expedite the operations of programs and provisions for coordination between several agencies. It also formulates and oversees the execution of special demonstration projects in rural community development and promotes continuous review of working relationships between the several USDA, non-USDA Federal, other public, and private agencies involved in work affecting rural community development.

The Rural Community Development Service had three field offices in operation as of June 30, 1965. It is anticipated that twenty-three field offices will be established by the end of fiscal year 1966.

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Rural Community Development Service:						
Salaries and Expenses	\$181,872:	8	\$637,000:	37	\$3,468,000:	221
Other funds:						
Assistance to EDA program (Dept. of Commerce)	384,626:	25	199,316:	14	- -	- -
Assistance to Economic Opportunity program (Office of Economic Opportunity)	9,784:	- -	- -	- -	- -	- -
Miscellaneous reimbursements.	3,622:	- -	- -	- -	- -	- -
Total, Other funds	398,032:	25	199,316:	14	- -	- -
Total, Rural Community Development Service	579,904:	33	836,316:	51	3,468,000:	221

NOTE: In addition to the number shown above for 1966, 36 employees of various agencies of the Department are assigned to help initiate the expanded functions of the Service. Under the Budget estimate, it is not contemplated that these assignments will be continued in 1967.

Salaries and Expenses

Appropriation Act, 1966	\$625,000
Proposed supplemental, 1966, for increased pay costs	<u>12,000</u>
Base for 1967	637,000
Budget estimate, 1967	<u>3,468,000</u>
Increase	<u>+2,831,000</u>

SUMMARY OF INCREASES

	1966 <u>Available</u>	<u>Increases</u>		1967 <u>Estimate</u>
		<u>Pay Costs</u>	<u>Other</u>	
To strengthen the planning, liaison, coordinating, and administrative functions of the Rural Community Develop- ment Service	<u>\$637,000</u>	<u>+\$3,500</u>	<u>+\$2,827,500</u>	<u>\$3,468,000</u>

PROJECT STATEMENT

Project	1965	1966 (estimated)	<u>Increases</u>		1967 (estimated)
			<u>Increased :</u> (P.L. 89-301):	<u>Other</u>	
1. Program coordina- tion and direction :	\$179,365 :	\$637,000 :	+\$3,500	+\$2,827,500 (1)	\$3,468,000
Unobligated balance :	2,507 :	- - :	- -	- -	- -
Total increased pay :	:	:	:	:	:
costs (P.L.89-301) :	(- -) :	(12,000) :	(+3,500)	(+77,500)	(93,000)
Total available or estimate	a/181,872 :	637,000 :	+3,500 (2)	+2,827,500	3,468,000

a/ Includes a supplemental appropriation of \$50,000 made in 1965 for the Appalachian Program. All of this amount is being obligated in 1966.

INCREASES

(1) An increase of \$2,827,500 to strengthen the planning, liaison, coordinating, and administrative functions of the Rural Community Development Service.

Need for Increase: Rural officials and community leaders are, in many instances, not able to plan for use of Federal assistance programs and to develop qualified applications for such assistance. This is true in thousands of rural communities. This is illustrated by the fact that while nearly half the poverty in the country is concentrated in rural areas, only a small percentage of the funds thus far allocated for community action programs under the Office of Economic Opportunity have been granted for programs in rural areas.

These communities lack information; they lack professional personnel who make it their business to keep up with Federal legislative and program developments;

they lack specialized organizations in fields related to the war on poverty; and in some cases they lack motivation. When they do become interested, they require relatively more guidance and technical assistance in the preparation of acceptable applications.

The kind of experience described above in respect to the "War on Poverty" programs is even more acutely characteristic of experiences in some of the older, established programs.

In housing for example, the proportion of substandard and deteriorating housing is twice as high in rural America as in our metropolitan areas. Almost half the people who live in bad housing in this country are rural people, although they comprise only 30 percent of the population. Yet, despite this heavy concentration of need in the rural areas, the Federal Government since 1950 through the Federal Housing Administration insurance programs alone has helped to build more than three dozen new houses in the cities and their suburbs for each single one that has been built with the assistance of the Farmers Home Administration in rural communities.

A check was made recently on the training programs conducted under the Manpower Development and Training Program during the past year. It was found that only 3.4 percent of the total projects were conducted in rural areas, or towns and cities under 10,000 population, -- where 46 percent of the Nation's people live and that only 3.1 percent of the total number of trainees who participated were from these areas.

For many other programs of Federal assistance intended for eligible citizens regardless of where they might live, the story is usually much the same.

Technical guidance, stimulation, and encouragement by professionally-trained Federal employees is needed in order to provide for rural citizens and community leaders the kinds of services that are available from public and private welfare agencies in metropolitan areas. This mission was assigned to the Department of Agriculture by the President in his Message of February 4, 1965. The formation of the Rural Community Development Service was announced for the purpose of carrying out the greatly expanded and new functions called for by the President.

The President's charge requires the Rural Community Development Service to provide the "outreach" services needed in order to assure rural citizens of a fully equal opportunity to participate in all services and benefits of the Federal Government for which they are eligible. This mission would be carried out as follows:

1. Through systematic and continuous consultation, the Rural Community Development Service and each Federal agency administering a service needed by rural people will define those services that are applicable to rural problems.
2. The Rural Community Development Service and the administering agency or agencies will determine the specific steps that need to be taken in the field to assure that rural people will have fully equal access to those services.

The steps needing to be performed by USDA field personnel might amount to no more than furnishing information about what service is available and how and where to apply, or providing technical assistance in the preparation and submission of applications, or even completing the preliminary stages of processing applications originating in rural areas.

3. The Rural Community Development Service will need to analyze the nature of the service and the particular obstacles that stand in the way of its extension to rural areas in order to determine the most suitable administrative means for the USDA to assist the agency concerned to extend its "outreach".
4. The Secretary will assign to a regular operating agency of USDA with offices in the field the responsibility for performing the steps that are needed in order for each Federal program to be effectively used by rural people.
5. Rural Community Development Service field representatives will provide close support and guidance to USDA field office personnel in handling "outreach" services, will follow-up applications as they proceed through channels to explain unusual features of rural applications and to clear up any problems that arise.

Plan of work: In order to carry out this mission, the Rural Community Development Service will need:

1. In the Washington headquarters:
 - a. A minimal administrative office staff, and secretarial help, for program review, and for management services.
 - b. A Program Operations Division, comprised of a Division Headquarters and six staffs of program-area specialists, who will be responsible for Housing and Community Facilities; Jobs Development; Schools, Education and Training; Economic Opportunity, Health and Welfare; Natural Resources Conservation and Development; and Family Farms Development.
 - c. A Field Operations Division headquarters for liaison with the direction of Rural Community Development Service State offices.
2. In the Field:
 - a. In Rural Community Development Service offices in 10 States with particularly large concentrations of disadvantaged people, there will be a director, a deputy, a program specialist and secretarial support.
 - b. In 30 other States there will be a director, a deputy, and secretarial support.
 - c. Twenty Rural Community Development Service district fieldmen will be assigned to serve the 300 counties having the heaviest incidence of rural poverty at the rate of about 15 counties per man.

In summary the increased funds will be used to establish 77 additional professional positions in the field. Of these, 17 will be State Directors of new field offices, 31 will be Deputy State Directors, 9 will be program specialists and 20 district fieldmen. The Washington, D.C. headquarters staff will be increased by 31 professional employees. This increased personnel is necessary to make the staff of the Rural Community Development Service effective in performing the "one-step, outreach" function.

(2) An increase of \$3,500 to provide for the full-year costs in fiscal year 1967 of the pay increase pursuant to P.L. 89-301. (An over-all explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1.)

STATUS OF PROGRAM

The Rural Community Development Service was established to assure full equality of opportunity to all people who live in rural America working through other agencies of the Department of Agriculture and of the Federal Government.

Special studies by the Economic Research Service, Census reports, and studies conducted by various departments within the Government, reveal that rural areas:

- Lag in income. Rural median income in 1960 was \$4,381. Urban median income was \$6,166;
- Have at least 44 percent of the families with annual incomes below \$3,000 although only 29 percent of the population is rural;
- Had only 50 doctors per 100,000 population in rural areas in 1965 compared with 133 per 100,000 population in metropolitan areas;
- At the adult level have about two years less time in school than the average urban adult.
- Yet rural areas have not participated proportionately either from the standpoint of population or of need in nationwide skills training and school aid programs. Only about 18 percent of the trainees in the Manpower Development and Training Programs have originated from rural areas, and only 3.4 percent of the training classes have been conducted in cities of 10,000 population or less;
- Have received only 15.8 percent of the funds advanced under the Economic Opportunity program for Community Action Programs.

FUNCTIONS:

The Rural Community Development Service has the responsibility to plan for better coordinated and more comprehensive solutions to the problems of rural residents and rural communities.

The Rural Community Development Service is responsible for:

Providing leadership within the Department of Agriculture in formulating plans and evaluating operations pertaining to development of natural and human resources in rural communities, with the goal of achieving coordination and consistency in USDA programs so as to promote the optimum development, use and conservation of resources, and the equitable distribution of benefits;

Formulating plans for and evaluating operations of the "outreach" services to be performed by operating USDA agencies in order to help non-USDA Federal agencies to reach persons with equal effectiveness in rural communities as in other communities;

Maintaining continuous liaison with other USDA and non-USDA Federal agencies to oversee and expedite, from the standpoint of the Department's rural community development objectives, the operation of programs and provisions for coordination between the several agencies;

Formulating plans for and overseeing the execution of special demonstration projects in rural community development requiring the coordinated participation of two or more agencies or designed to achieve novel or exceptional community development benefits;

Continuous review of working relationships between the several USDA, non-USDA Federal, other public, and private agencies involved in work affecting rural community development, in the interest of expediting communications, remedying causes of delay or ineffectiveness, and developing plans for improvement.

WORK IN PROGRESS:

The Rural Community Development Service is furnishing leadership and direction within the Department of Agriculture in developing plans and procedure whereby USDA agencies will perform "outreach" services to help other Departments and agencies of the Federal Government to reach rural residents equitably. It is also developing plans for "packages of programs" which will integrate services of the various agencies of USDA and non-USDA Federal agencies so as to achieve maximum overall effectiveness in overcoming the disadvantages of rural people and promoting advances in rural communities. Following are illustrations of current work in process:

1. Task forces comprised of members of the Rural Community Development Service staff and officials of the Department of Health, Education and Welfare; the Department of Housing and Urban Development; the Department of Commerce; the Department of Interior; the Department of Labor; the Department of Treasury; the Small Business Administration; and other departments and agencies are working to evaluate rural needs and to plan for steps to cope with them, in the following problem areas: Rural Aged, Rural Health, Rural Roads, Rural Housing and Community Facilities, Rural Children and Youth, Rural Education and Training, Natural Resources and Conservation, Economic Parameters of rural areas development, Competition between Industries, Adequacy of Capital Funds in Rural Areas.
2. A program developed by the Service, in consultation with the Department of Health, Education and Welfare, is now in operation.

The Social Security Administration estimates that over a million rural aged have not marked enrollment cards because they are not recorded as recipients of social security benefits nor of Old Age Assistance. Although hospitalization insurance will be available to virtually all over 65 without enrollment, specific action must be taken to enroll before March 3, 1966, in order to be eligible for benefits of the voluntary medical insurance coverage. The Department of Agriculture field representatives are helping Social Security Administration representatives to reach all rural persons over 65 so as to inform them of their rights and enable them to participate in the benefits of the "Medicare" amendments of the Social Security legislation. USDA is promoting a complete canvass in rural communities, with the help of volunteer community leaders, in this effort to insure eligible rural residents of a meaningful opportunity to know of and to enjoy their rights under this program.

3. The Rural Community Development Service is consulting with the Office of Education to develop plans for maximum and effective capitalization on the opportunities available to rural areas under the Elementary and Secondary Education Act. RCDS has developed a program now in operation whereby USDA field representatives are helping community leaders and local school officials to get financial aid under the Elementary and Secondary Education Act for installing kitchen facilities needed in order to operate school lunch programs.
4. Through Department of Agriculture field agencies, the Service is providing information and technical guidance, developed through close liaison and consultation with the Economic Development Administration, to rural community leaders and residents requesting help in drawing up Overall Economic Development Plans, (OEDP), applying for accelerated public works loans and grants, and financing economic development projects.
5. Pilot concerted Services in Training and Education projects are now under way in St. Francis County, Arkansas; Todd County, Minnesota; and Sandoval County, New Mexico. These are under the direction of a 16-member task force, chaired by the Department of Agriculture. This Task Force was drawn from the Department of Health, Education and Welfare, Department of Labor, Department of Commerce, Department of Interior, Department of Agriculture, and the Office of Economic Opportunity.

Pilot projects consolidate the combined resources of all appropriate Federal, State, and local departments and agencies to meet the occupational training and educational problems of the selected counties. Project operations are coordinated by the Service.

In St. Francis County, under a Manpower Development and Training Project 19 trainees are learning to operate caterpillars, road graders, back hoes and scrapers. A neighborhood Youth Corps

project is employing 181 youths in five school districts and adult basic education classes are now underway in two school districts. School superintendents are being assisted in drawing up applications for Federal aid under the new Elementary and Secondary Education Act of 1965.

A United States Employment Service survey will be completed soon and several more Manpower Development and Training projects will be initiated.

St. Francis County has been designated as eligible for aid under the Economic Development Administration's program, and local leaders are being helped to draw up an Overall Economic Development Plan as the first step in qualifying for aid under this program.

Since the concerted services project began in September, other related community development projects have been initiated. The Farmers Home Administration has approved a loan to a community of 300 persons to construct a new water system and three other towns are considering the same action. The county Community Action governing body has applied for a grant from OEO to employ local administrators for its anti-poverty programs.

Programs similar to those underway in St. Francis County are underway also in Todd County and Sandoval County.

6. The Service serves as the secretariat of the Rural Areas Development Board, National Public Advisory Committee on Rural Area Development, the National Advisory Committee on Cooperatives, and the Land and Water Policy Review Committee of the Department of Agriculture.

It serves as the secretariat of the President's Rural Development Committee and chairman of its Inter-Departmental Staff Group, and furnishes staff services to the Secretary of Agriculture as Chairman of the Recreation Advisory Council and the secretariat (chairman) of its Staff Working Party on Outdoor Recreation.

7. The Service serves as the Department's central planning, coordinating and liaison agency in the fields of rural natural and human resource development. It furnishes immediate planning and staff service to the Secretary and the Office of the Secretary on program development and operations within its assigned area of responsibility. It is responsible for liaison with the Appalachian Regional Commission, and other regional commissions as they are established; the Bureau of the Budget in matters falling within this scope of interest; the Economic Opportunity Council and the Office of Economic Opportunity; the Economic Development Administration, and each of the other Federal Departments and agencies with respect to programs administered by them which are related to the development of rural communities.

ORGANIZATIONAL STRUCTURE

The Rural Community Development Service is comprised of the Office of the Administrator and Administrator's Staff, two operating divisions, and a planning and liaison staff.

Office of the Administrator and Administrator's Staff: Consists of the Administrator, Deputy Administrator, and five professional specialists in program review and administrative management and management support liaison with the Office of Management Services.

Field Operations Division: Consists of three professional men located in Washington and, by the end of the 1966 Fiscal Year, 23 State Directors located in the field.

The Washington office is responsible for direction and coordination of field operations of Rural Community Development Service State offices. It processes and distributes to State offices program information and instructions prepared by the Program Operations Division, and seeks to correct bottlenecks or other impediments to expeditious processing of applications for services from rural people.

Each State Director serves as Executive Director of the State Technical Action Panel (TAP), which consists of the heads of the USDA agencies operating in the State. A State Director is responsible for:

1. Reviewing with the Technical Action Panel the policies and programs developed and approved by the Policy Review Committee and the Rural Areas Development Board of the Department, as well as Secretary's memoranda and RAD Board's Chairman's Instructions relating to rural development, to facilitate and coordinate implementation in the State by the respective agencies;
2. Adapting or formulating plans in the State for carrying out "outreach" function through operating agencies of the USDA;
3. Maintaining continuous liaison at the State or regional office level with other USDA agencies and non-USDA Federal agencies in an effort to see that all programs designed to assist in rural development reach all rural people in a coordinated, consistent, and effective manner;
4. Adapting plans and furnishing leadership in the State in carrying out special pilot or demonstration projects in rural community development requiring the coordinated participation of two or more agencies, or designed to achieve novel or exceptional community development benefits;

5. Continuous review, evaluation, and reporting of the operations of and working relationships between the several USDA, non-USDA, Federal, State, other public, and private agencies involved in work affecting rural community development, in the interest of expediting the achievement of effective rural community development.

Regional Development Staff: The Regional Development Staff is comprised of a Chief, Deputy Chief, and Program Analyst, who are responsible for leadership within the Department of Agriculture in formulating plans and conducting liaison with other agencies as required of the Department by the Appalachian Regional Development Act of 1965 and the Public Works and Economic Development Act of 1965.

This Staff serves the Administrator, who represents the Secretary of Agriculture in connection with assistance to and consultation and coordination with the Department of Commerce, the Appalachian Regional Commission, and in cooperation with various Multi-State Commissions in development of Regional programs, as required by the Acts.

The staff is responsible for formulating policies and programs to insure full participation by rural communities and rural local governments in planning for community facilities, public services, and development of resources in which rural residents have interests and concerns. In addition, it maintains a continuous review and evaluation of Department operations affecting Regional Development programs, and is responsible for developing recommendations to the Secretary of Agriculture for adapting and coordinating the Department's programs with the various Regional Development programs in the interest of achieving optimum overall rural community development benefits.

Program Operations Division: The Program Operations Division is comprised of the Office of the Director including a Director, Deputy Director, and six staffs of program specialists. Each staff consists of a Chief and a Program Analyst, and is responsible for the consultation and liaison with the authorities in charge of all Government programs that have a bearing on its assigned "problem area." The Division's functions are:

1. Appraisal and review of USDA programs to determine opportunities to improve rural community development efforts;
2. Appraisal of all non-USDA programs for which rural people are eligible (a) to determine benefits available; (b) through consultation with the non-USDA agencies administering each needed service and the "outreach-performing" USDA field agency, to develop plans for extending service in rural communities; and (c) through continuous liaison to keep operations under continuous observation;

3. Continuous liaison with non-USDA agencies to identify benefits available, procedures for obtaining benefits, and current changes in programs affecting rural people; and immediate preparation and transmission of appropriate information and instructions to the "outreach-performing" USDA field agency and to Rural Community Development Service State offices;
4. Development of plans for coordinated rural community development programs and projects so as to develop plans for "packaged programs," utilizing services and benefits of two or more agencies of USDA or other Departments.
5. Reviewing all legislation concerning new or established programs that affect rural people and the development of rural communities, and developing USDA policy in respect thereto;
6. Conducting field studies, reviewing literature, attending and participating in conferences, and otherwise keeping abreast of developments in the several subject matter areas.
7. Six Operation Staffs will be responsible for division activities within their respective program areas, as follows:

Housing and Community Facilities
Jobs Development
Schools, Education and Training
Economic Opportunity, Health, and Welfare
Natural Resources Conservation and Development
Family Farms Development

The six staffs and the types of governmental service with which each will work are as follows:

1. HOUSING AND COMMUNITY FACILITIES:

Farmers Home Administration, USDA - Low interest loans for farmers and other rural residents for purchase or repair of houses including multi-family housing; special loans and assistance to senior citizens and farm labor. Also loans for water systems, flood control, drainage, irrigation, watershed development, cooperatives, recreation and rural renewal.

Soil Conservation Service, USDA - Cost-sharing and technical assistance for multiple purpose watershed development and RC&D projects and technical assistance for recreation.

Small Business Administration - Loans for privately owned community facilities such as hospitals and nursing homes.

Rural Electrification Administration, USDA - Loans for electric and telephone facilities.

Federal Extension Service, USDA - Assistance with housing plans and designs.

Department of Housing and Urban Affairs - Planning grants; loans for housing for individuals and groups, water, sewer, and fire systems, playgrounds, public buildings, nursing homes, neighborhood facilities.

Department of Commerce - Loans and grants for community facilities of various types through the Economic Development Administration; financial aid for ports and roads.

Department of Health, Education and Welfare - Federal aid for schools and education, libraries, hospitals, welfare, senior citizens, public health, elimination of water pollution. Grants and matching funds 30% to 90%.

Department of the Interior - Technical and financial assistance for development and maintenance of public parks; special assistance to Indian communities.

Department of Defense - Construction and maintenance assistance in multi-purpose water development (Corps of Engineers); defense procurement; special emergency aid to communities hit by disaster or defense base demobilization.

Federal Aviation Agency - Grants and technical assistance in development of airports.

Office of Economic Opportunity - Financial assistance for special housing projects, such as that for migrant labor rental housing.

2. JOBS DEVELOPMENT:

Farmers Home Administration, USDA - Loans to farmers for real estate, farm operation, recreational development; loans to farmers and non-farmers in rural areas for establishment of businesses and cooperatives.

Rural Electrification Administration, USDA - Farm, commercial, and industrial loans to finance electrical equipment.

Forest Service, USDA - Technical assistance for development of forestry-based industries, recreation, woodland management, processing of forest products; Job Corps Program.

Soil Conservation Service, USDA - Technical and financial assistance for RC&D projects, creation of lakes and recreation areas which create jobs, recreational businesses, summer home sites, and other rural enterprises.

Agricultural Research Service, USDA - Develops new products.

Department of Commerce - Business loans through the Economic Development Administration, public roads; business and defense services.

Small Business Administration - Loans to small businessmen; financing for State and local development companies to aid small firms; employment and investment incentive program under Economic Opportunity Act.

Department of Labor - Funds and general supervision for employment security; Neighborhood Youth Corps; labor surveys; helps train for special skills needed to attract businessmen to locality.

Office of Economic Opportunity - Job Corps; increases employment through development of public projects of conservation--Community Action Program of Job training, counseling, and job placement.

Department of Defense - Procurement contracts; conversion of discontinued defense installations for new industries or training centers.

Farm Credit Administration - Loans to farmers and cooperatives.

Department of the Interior - Mineral leases and claims; water and power projects; technical and financial assistance to commercial and sports fisheries; and Indian reservations, land reclamation, and national parks.

Department of Health, Education and Welfare - Under the Economic Opportunity Act, Work Experience Programs directed primarily toward jobless heads of families with dependent children, and Work Study Programs primarily for college students.

3. SCHOOLS, EDUCATION AND TRAINING:

Federal Extension Service, USDA - Information and education to farmers and others about farming methods; farm management; marketing, economics, and community development.

Farmers Home Administration, USDA - Conducts education and training through its supervised loan programs; also provides education through home counseling and through financing families caught in major disasters. Liaison with Health, Education and Welfare and Employment Security enables children and adults of Farmers Home Administration borrowers to further their education.

Department of Health, Education and Welfare - Grants on a matching basis to States for vocational and technical education; National Defense Act, grants for training in critical fields such as science and mathematics; provides surplus Federal property for use by States in health and educational institutions and activities; assists with grants for vocational rehabilitations; provides Economic Opportunity Act funds for work study programs; adult basic education for 18 and over with less than 6th grade education.

Department of Labor - Manpower development and other special training programs; grants for school construction; loans for tuition; and grants for subsistence and staffing of special training programs; determining job opportunities, certain testing counseling, and referrals; on-the-job training authorized by Manpower Development and Training Act; Work Training programs under Economic Opportunity Act for youth 16 to 21; special Office of Economic Opportunity grants for migrant agricultural workers for education and day care of children.

Office of Economic Opportunity - Provides funds for Job Corps training ages 16 to 21; provides funds to Health, Education and Welfare and Labor for other special training.

4. ECONOMIC OPPORTUNITY, HEALTH, AND WELFARE:

Farmers Home Administration, USDA - Low interest loans to farmers and other rural residents for small business ventures and loans to cooperatives. Welfare assistance is provided in disaster areas.

Federal Extension Service, USDA - Welfare, nutrition, and health guidance; assists in organizing "Head-Start" and Community Action Programs under Economic Opportunity Act.

Consumer and Marketing Service, USDA - School lunch and surplus food programs; food inspection and grading service.

Agricultural Research Service, USDA - Research; guidelines for nutritional and health standards.

Cooperative State Research Service, USDA - Collaborates with ARS on specific research projects.

Housing and Home Finance Agency - Loans and technical assistance for nursing homes and public hospitals.

Department of Health, Education and Welfare - Public health, welfare, and social security programs; grants of up to two-thirds construction costs of public and nonprofit hospitals, nursing homes, and health centers plus 50-50 matching funds for mental health services; Work Study Program under Economic Opportunity Act. 30% grants on waste disposal systems.

Department of Labor - Farm labor and employment security; minimum wage programs; Federal-State Employment Service (locates jobs); Neighborhood Youth Corps Program.

Office of Economic Opportunity - Grants for special programs such as training, migrant labor, health, and welfare projects (under Community Action Programs, pays up to 90% first 2 years); VISTA and "Head-Start" Programs, Job Corps Program through Forest Service (USDA) and Park Service (Interior).

6. FAMILY FARM DEVELOPMENT:

USDA Agencies - All of the 17 member agencies of the Rural Areas Development Board contribute to agricultural development, particularly through credit, education, technical assistance, price support, market stabilization and regulation, technical and economic research, and technical and marketing management guidance.

Department of Commerce - Export program; financial aid for farm-to-market roads.

Department of the Interior - Land reclamation and irrigation; fish and wildlife and recreation programs; leases public lands to farmers for grazing.

Department of Labor - Farm labor, grants for vocational training for needed farm skills.

Department of Health, Education and Welfare - Vocational education, public health, and water and stream pollution prevention in the rural communities. Assists in special training programs for needed skills in certain farm operations.

Farm Credit Administration - Loans to farmers and cooperatives through production credit associations, Bank for Cooperatives, and Federal Land Bank.

Office of Economic Opportunity - Small business loans to farmers and loans to cooperatives through Farmers Home Administration; assistance for migrant agricultural workers and their families, in the form of grants, loans, and loan guarantees to assist States, localities, private non-profit organizations and individuals for special needs in housing, sanitation, education and the day care of children.

State and County Departments of (1) Labor, (2) Education, (3) Health, and (4) Welfare - Have local appropriated funds for special programs supplemented with Federal grants and loans.

5. NATURAL RESOURCES CONSERVATION AND DEVELOPMENT:

Soil Conservation Service, USDA - Soil surveys and other technical assistance for planning, applying, and maintaining farm conservation practices; technical and financial aid to local sponsors of small watershed projects which may include development of water for agricultural, recreational, municipal or wildlife uses; administers Resources Conservation and Development projects.

Agricultural Stabilization and Conservation Service, USDA - Cost-share grants to farmers and communities for soil and water conservation projects; payments for diverting cropland to other income producing conservation uses including permanent cover, forestry, water storage facilities, and recreational enterprises.

Farmers Home Administration, USDA - Loans for establishing farm forests; loans to finance shifts in land use including recreation, wildlife, grazing, or forestry, and other conservation measures. Administers rural renewal projects.

Forest Service, USDA - Cost share in technical assistance for watershed management, forest conservation, tree planting, and timber stand improvement; contributes to outdoor recreation development.

Department of the Interior - Research and technical assistance in the development of mines and fish and wildlife resources; administers land reclamation projects, national parks, and national grazing lands; through its Bureau of Outdoor Recreation, administers intensive outdoor recreation program in cooperation with other Federal, State, local, and private agencies.

Department of Defense (Corps of Engineers) - Plans for development of water and related resources in river basins.

Department of Commerce - Grants and technical assistance for road construction and beautification; grants and loans to develop recreational resources and businesses through Economic Development Administration.

Department of Health, Education and Welfare - Assists in stream pollution control through redevelopment and other projects.

Office of Economic Opportunity - Job Corps and Neighborhood Youth Corps work programs on conservation and natural resources projects.

OFFICE OF THE INSPECTOR GENERAL

Purpose Statement

Internal audit and investigation activities are carried out by the Office of the Inspector General which was established by the Secretary of Agriculture's Memorandum No. 1503 dated June 25, 1962, and No. 1524 dated December 21, 1962. The Office is responsible to the Secretary for assuring that existing laws, policies and programs of the Secretary are effectively complied with on every level of administration in accordance with the intent of the Congress and the Secretary. It insures prompt and appropriate corrective action in those areas in which deviation from established law, policy, procedure, rules or regulations has developed; and conducts internal audit and investigative activities within the Department and coordinates and correlates them with various investigative agencies of the Executive and Legislative branches of the Government.

These audit and investigative services are carried out by the headquarters' staff and seven regional offices located in New York, New York; Hyattsville, Maryland; Atlanta, Georgia; Chicago, Illinois; Temple, Texas; Kansas City, Missouri; and San Francisco, California.

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual 1965		Estimated Available 1966		Budget Estimate 1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Office of the Inspector General:						
Salaries and expenses	\$10,116,137	778	\$10,613,000	788	\$11,602,000	838
Obligations under other USDA appropriations for audit and investigation services:						
Office of the Secretary - for civil rights activities	- -	- -	60,210	5	- -	- -
Agricultural Stabilization and Conservation Service - For cost survey relative to CCC storage activities in grain	- -	- -	103,290	5	- -	- -
Miscellaneous reimbursements	1,259	- -	2,200	- -	2,200	- -
Total, Other USDA Appropriations	1,259	- -	165,700	10	2,200	- -
Total, Agricultural Appropriation Bill	10,117,396	778	10,778,700	798	11,604,200	838
Other funds:						
Reimbursable audit and investigation services for other agencies:						
For coverage of ASCS State Office activities incident to operations of the Commodity Loan Programs financed by service fees or charges from producers	221,600	17	221,600	17	227,600	17
For Consumer and Marketing Service inspection, grading, and classification standards activities financed by reimbursement.	130,400	11	135,000	11	137,400	11
Miscellaneous (primarily work for Office of Economic Opportunity)	34,116	3	172,013	8	156,000	7
Total, Other funds	386,116	31	528,613	36	521,000	35
Total, Office of the Inspector General	10,503,512	809	11,307,313	834	12,125,200	873

Salaries and Expenses

Appropriation Act, 1966	\$10,491,000
Transferred to "Operating Expenses, Public Buildings Service, General Services Administration" for space rental	-23,000
Proposed supplemental, 1966, for increased pay costs	145,000
Base for 1967	10,613,000
Budget Estimate, 1967	11,602,000
Increase (for increased pay costs pursuant to P.L. 89-301 and internal audit and investigation of the Department's programs)	+989,000

PROJECT STATEMENT

Project	1965	1966 (estimated)	Increases and Decreases		1967 (estimated)
			Increased	Other	
			Pay Costs (P.L. 89-301)		
1. Internal audit: and investiga- tion	\$10,064,926	\$10,613,000	+\$141,000	+\$848,000(1)	\$11,602,000
Unobligated balance	51,211	- -	- -	- -	- -
Total increased pay costs (P.L. 89-301) ..	(- -)	(220,000)	(+83,836)	(+17,000)	(322,836)
Total available or estimate...	10,116,137	10,613,000	+141,000(2)	+848,000	11,602,000

(1) An increase of \$848,000 for internal audit and investigation of the Department's programs.

Need for Increase. The audit and investigation program planned for fiscal year 1967 entails (a) selective audit coverage which, while not total, will be broad enough to prevent the likelihood of the escape or concealment of significant matters, and (b) response to investigation needs within 120 days. To carry out this program, which is concerned with protecting the public's interest, as well as the integrity and effectiveness of the Department's personnel and programs, funds will be needed for:

Audits:

(a) Food Stamp Program - The audit of new Food Stamp project offices within 15 months after opening, to preclude an undesirable stretchout of audit coverage.

(b) Agricultural Stabilization and Conservation Service County Offices - A more thorough and comprehensive audit of approximately 275 county offices.

Investigations:

The investigation of anticipated allegations arising from the Food Stamp Program and/or reducing delay of other investigations beyond 120 days.

Supporting Functions:

An intensive training program designed to obtain desired performance standards; quality control and direction of integrated audits; and an automated system to codify and list all audit and investigative findings.

Plan of Work: The annual program of work is designed to achieve maximum effective utilization of personnel through the designation of service areas of greatest benefit to the Department. It is the culmination of a survey and analysis effort designed to ferret out significant and sensitive areas for coverage.

During fiscal year 1967 it is planned to emphasize the broad-scale, integrated audits described in the following Status of Program section. Manpower not engaged in these major audits will perform audits of individual organizational entities of the Department, stressing those in which there is an indicated sensitivity or problem. Since reserve manpower has not been provided for, management requests for unprogramed work will be met to the extent that (1) manpower permits, and (2) requested service warrants deferral of existing scheduled work.

Planning and programing each year involves the introduction of new approaches to improve both economy and effectiveness. It also involves revision of objectives for many types of inquiries to meet changed policies and operating conditions with emphasis on those changes that respond to directives from the Congress and the President, and recommendations of the General Accounting Office and other qualified groups.

Basically, any limitation of manpower of the Office of the Inspector General must affect its service in the programs of the Consumer and Marketing Service and the Agricultural Stabilization and Conservation Service. Allocations of manpower to the programs and functions of other agencies of the Department are so small that significant reductions are not possible.

Consumer and Marketing Service - Food Stamp Program. This program is quasi-Federal in nature since State, county and city governments also participate. This means that determination must be made at each of these levels as to whether operations are being performed within the scope and intent of the law and the regulations.

Banks and other financial institutions issue food stamps. Determinations must therefore be made to insure that cash and coupons received and disbursed by these establishments are accounted for and safeguarded.

Since food coupons are negotiable, they are subject to improper use by both participants and stores. Some of the misuses which can occur are (1) discounting of coupons for cash, (2) accepting coupons to satisfy old debts, and (3) selling nonfood items, including alcoholic beverages, for coupons.

The Food Stamp Program expanded considerably during fiscal year 1965. Continued growth is planned for fiscal years 1966 and 1967. It is anticipated that in fiscal year 1966, annual program expenditures will

reach \$100 million. The program will embrace approximately 260 projects in 40 states and the District of Columbia. Some 35,000 retail stores will accept food coupons and 1.3 million people are expected to participate in the program.

By the end of fiscal year 1967, costs of the program are expected to increase to about \$150 million. Approximately 1.9 million people will participate in the program. More important from an audit and investigation standpoint is the projection that over 400 projects will be involved in 45 states and the District of Columbia. Some 50,000 retail stores will accept food coupons. These are major factors influencing the Office of the Inspector General manpower required to service this program.

In a new or expanding program there is increased need for audit and investigation service to assure adequate control and management during this critical stage. The sheer massiveness of the program indicates the size of the effort needed. It suggests the extent to which audit and investigation will have to be used to keep program infringements to a minimum.

Funds are requested to preclude an undesirable "stretchout" of audit coverage (deferring approximately 160 audits of Food Stamp project offices, the majority of which are needed within 15 months after the opening of these offices).

Agricultural Stabilization and Conservation Service (ASCS) - Audits of County Offices. One of the major revisions in approach in which we have broadened the scope and depth of our audits is the review of ASCS operations on a state-wide basis by integrating concurrent reviews of the ASCS State office and selected county offices within the state. This approach is designed to evaluate the supervision and management of the operating programs and administrative functions throughout each state. The plan provides that individual counties (over and above those integrated with State offices) will be audited in order to cover each county about every two years.

By comparison with prior audits, additional time is required to plan and coordinate the efforts of a team of auditors working simultaneously at several locations. Additional manpower is also required to go beyond the fiscal integrity and compliance reviews of prior audits to seek out adverse management conditions. However, the advantages of this reoriented effort have already been demonstrated in the form of broader recommendations aimed at generating administrative action to remedy adverse conditions and in the ability to present the more significant matters in summary reports that are distributed to all persons having a responsibility for or involvement in these matters.

With the ability to introduce changes in the degree of attention and manner of approach to the many programs in which ASCS county offices participate, the Office of the Inspector General believes that the broad plan for an annual integrated audit of ASCS State and county operations in each state, along with individual audits of additional ASCS county offices (to provide an audit of each county every two years), is sound and should be executed.

The General Accounting Office, in reply to a written inquiry on this point, did not object to this plan.

If the additional work involved in this more intensive audit has to be absorbed, it would mean deferring the audit of approximately 275 county offices beyond the established 2-year cycle.

Investigations

The investigation service objective of the Office of the Inspector General is to initiate full-field investigations within 120 days of receipt of information, complaint or allegation; to obtain all of the pertinent facts with respect to issues raised; and to promptly report the facts to management or legal officials for action.

This objective is critical to our effectiveness in protecting the interests of the public and in helping to maintain the integrity and reputation of the Department and its employees. In many instances, this objective is not being met.

In addition to this overall target, investigations are managed by means of a priority system which assures that the order in which investigations are conducted is in keeping with the sensitivity and seriousness of the allegations and that necessary precedence is given to inquiries where timing is essential to the success of an investigation.

In the total program for 1967, the funds requested would provide for the investigation of allegations anticipated to arise from the Food Stamp Program. Should this workload not develop at the estimated rate, available staff would be utilized on other types of investigations in order to avoid the harm resulting from delaying investigations, which are performed principally in response to complaints, allegations, or requests indicating a need for administrative or legal action, beyond the 120-day service objective.

Supporting Functions

The recruitment, development and retention of professional staff capability is a continuing problem. The satisfactory conduct of broad-scale integrated audits, centrally controlled but performed concurrently at numerous locations, is a complex process requiring a high degree of competence.

The supervisory expertise required to direct, coordinate, and interfuse audit teams and audit findings or recommendations requires intensive training and extensive experience.

Funds are needed to provide the number of highly qualified individuals needed through extensive recruitment and training programs in fiscal year 1967.

The funds requested will also permit obtaining data processing services to list and codify all audit recommendations and investigative irregularities. This will permit the pinpointing of trends and weaknesses in the administration of the Department's programs.

(2) An increase of \$141,000 to provide for the full-year costs in fiscal year 1967 of the pay increase pursuant to P.L. 89-301. (An overall explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1.)



STATUS OF PROGRAM

The Office of the Inspector General is responsible for all internal audit and investigation activities in the Department of Agriculture. In fulfilling these responsibilities, the Office performs its audit and investigative functions for a Department which has over 100,000 employees; that is responsible for the expenditure of approximately \$7 billion a year (including insured loans and other programs financed from non-Federal funds); that consists of 26 separate organizational entities, each with its own purpose, programs, methods, organization, policies, procedures, and personnel; that is deployed throughout the United States and its territories and in approximately 100 foreign countries; and that performs services which encompass a range of activities from the distribution of milk to the administration of the national forests, from the control of plant diseases to foreign market development.

The Office of the Inspector General was established to assure the Secretary of completely independent and objective selection of departmental activities to be audited; critical reviews and examinations of the Department's programs and activities; factual reporting of the results of audits and investigations; improved accountability for the resources entrusted to the Department; increased administrative and program effectiveness; and integrity in every phase of the Department's programs.

To achieve these objectives, the functions of the Office of the Inspector General have been planned to team correction with detection. Where management weaknesses are discovered, management remedies are recommended and thereafter monitored. Audits have been performed and are programmed to provide coverage of the world-wide programs and activities of the Department. Following are examples of program activities during fiscal year 1965:

GENERAL

1. In fiscal year 1965, the Office of the Inspector General planned, scheduled, and performed audits designed to appraise agencies' programs and operations on a broader scale by integrating the audit work at a number of related organizational entities. For example, audits of Agricultural Stabilization and Conservation Service and Farmers Home Administration operations and programs were made on a State-wide basis.
2. Audits were planned and initiated for (a) Department-wide operations such as motor vehicle utilization, the self-mailer technique, and MODE conversion, and (b) agriculture programs such as the Meat Inspection Program. Increased audit coverage was also provided for the Department's overseas activities under Public Law 480 and the market development program.

Audit program instructions gave special attention to (a) areas for cost reductions, (b) effective use of space, personnel, and equipment, (c) avoidance of duplication of effort, (d) consolidation of offices, and

(e) agencies' compliance with the spirit and intent of the Civil Rights Act and the Secretary's directives.

RURAL DEVELOPMENT AND CONSERVATION

1. Forest Service Job Corps Program. Surveys of seven newly created Forest Service Job Corps Conservation Centers were completed in fiscal year 1965. The purpose of these surveys was to ascertain if operation of the centers was fulfilling the objectives of the Economic Opportunity Act of 1964. A number of areas were identified where improvement will assist management in administering this program. Recommendations made to Job Corps and Forest Service included those for (a) providing more complete instructions, policies, guidelines, and directives; (b) improving recruitment, screening, and placement of corpsmen in centers; (c) clearly defining organization structures and individual responsibilities; and (d) improving center facilities. A secondary, but more important, objective of these surveys was to develop ground work for a more intensive audit of the Forest Service Job Corps program to be made in fiscal year 1966.
2. Economic Opportunity Loans. During fiscal year 1965 under a new lending program, Farmers Home Administration made loans totaling about \$20 million to a total of 11 thousand individual and 82 cooperative associations. With funds provided by the Office of Economic Opportunity, this program was audited in about 100 FHA offices throughout the country. No serious weaknesses were disclosed in these audits. Review of Economic Opportunity loans made by FHA county offices is being continued in our fiscal year 1966 audit program.

DOMESTIC AND FOREIGN STABILIZATION

1. ASCS State and County Offices. Audits of Agricultural Stabilization and Conservation Service operations in Arkansas disclosed excess planting of allotments of cotton and rice without payment of penalty. Because these producer irregularities did not appear to be isolated, a broad plan was developed to remeasure cotton and rice acreage in 32 counties in the State. The remeasurement of 3,773 farms in the 32 counties disclosed 6,657 excess cotton acres on 425 farms and 2,328 excess rice acres on 141 farms. Separate investigations were also made in the more serious individual cases. Quick investigative action on these audit disclosures enabled the agency to promptly institute the necessary corrective measures.
2. CCC and ASCS Commodity Offices. Audits of cotton cooperative associations disclosed a significant area of concern relating to outside, open-yard storage of cotton contrary to regulations. This practice was found to have an adverse effect on CCC's interest in the cotton, both from the standpoint of quality and value. Improved regulations and controls were initiated as a result of conditions disclosed.

3. Foreign Investigation and Audit. Intensified investigative activity continued overseas. Investigations were conducted in 14 foreign countries: Europe, the Middle East, Africa, and Asia. Most of the investigative activity concerned Public Law 480 matters, and involved alleged diversions of commodities and market development operations. One of the investigations, in process for more than two years in Europe and the United States, involved the diversion of commodities destined for Austria under the barter program. By the close of fiscal year 1965, the investigation resulted in:

- (a) Criminal indictment of one American grain export company, three affiliated foreign organizations, and five officers of the firms, all for conspiracy to defraud the United States. The American firm and one of its officers were convicted on that charge and each was fined the maximum of \$10 thousand.
- (b) Civil suits being filed by the Department of Justice against various American commodity exporters and barter contractors in this case for contract damage and civil fraud forfeitures totalling about \$3 million.

A comprehensive audit of Public Law 480 activities in Southeast Asia was started during the latter part of the 1965 fiscal year and included the following countries: India, Pakistan, Philippines, Hong Kong, China (Taiwan), Korea, and Japan.

MARKETING AND CONSUMER SERVICE

1. Food Stamp Program. The expanding Food Stamp Program necessitated the stepping-up of audit and investigation services. OIG audits and investigations resulted in a number of recommendations to strengthen operating procedures, records, controls, and certification of eligibility procedures by improving liaison between certifying offices which approve applicants for participation in the program and offices which issue the stamps. Recommendations included suggestions for improving procedures for bonding of employees and safeguarding cash and coupons.
2. Direct Distribution Program. Audits of this program, which operates in all 50 States in about 1,500 counties, and in Puerto Rico and the Virgin Islands, have resulted in recommendations to bring about improvements in program operations, particularly in commodity accountability and equitable distribution to recipients.
3. Meat Inspection. A comprehensive audit of the Meat Inspection Division of the Consumer and Marketing Service was initiated during fiscal year 1965. This audit included an evaluation of the control over meat imported from foreign countries as well as the nation-wide operation of the meat inspection program. The audit disclosed a need for improved control over foreign meat inspection programs and a more thorough inspection at ports of entry to insure a wholesome product to the American consumer. In the domestic program, strengthening of the laws, regulations, and policies were found to be needed to reduce opportunities for unwholesome meat products moving in interstate commerce.

4. Poultry Inspection and Grading Programs. The objective of this nationwide program audit was to identify areas where improvements in organization, inspection, manpower utilization, and the coordination of field operations would materially increase effectiveness and efficiency of the inspection and grading services. The audit disclosed a need for an improved field organization, better utilization of graders, and more effective supervisory practices to ensure greater uniformity of inspection and grading of poultry. Recommendations were also made to improve billings and collection procedures and statistical reporting procedures.
5. Commodity Exchange Authority. A comprehensive audit of this agency was performed to determine the overall effectiveness with which the CEA carried out its regulatory role under the Commodity Exchange Act. This audit was initiated largely as a result of the disruption of the edible oils market caused by the operations of Anthony DeAngelis. A number of recommendations were made to assist management in improving its policies and in operating procedures.

MANAGEMENT ACTIVITIES

1. New audit techniques applied during the year included the use of statistical sampling in the payroll audit of MODE, in several audit segments of the ASCS Kansas City Commodity Office, and in the audit of Federal Crop Insurance in Missouri. Statistical sampling was used to select (1) commercial warehouses for confirmation of CCC-owned grain inventories, (2) loan documents for audit tests, (3) sight drafts for confirmation with the recipients, and (4) crop insurance contracts for audit tests.
2. Training needs were inventoried, programs planned, and a number of courses implemented for the development of the OIG professional staff. A two-week In-Service course for experienced professional employees and a three-week orientation course for new employees were prepared. A carefully chosen group of outstanding auditors and investigators was given a special Civil Service course to prepare them to be instructors in our various training programs. Almost 200 of our professional employees were trained in the use of scientific (statistical) sampling methods by means of a correspondence-seminar course, designed to meet our particular needs. A course in workpaper preparation was presented in each of our Regional Offices. A very extensive training program was planned for fiscal years 1966 and 1967.

OFFICE OF THE GENERAL COUNSEL

Purpose Statement

The Office of the General Counsel, prior to 1955 known as the Office of the Solicitor, was established in 1910 (5 U.S.C. 518) as the law office of the Department of Agriculture.

The General Counsel, as chief law officer of the Department, is responsible for providing legal services for all programs, operations, and activities of the Department. He is assisted by a Deputy General Counsel and three Assistant General Counsels, each of whom is responsible for a portion of the legal work of the Department.

The field offices handle legal work relating to the activities in the field of the Agricultural Stabilization and Conservation Service, Commodity Credit Corporation, Farmers Home Administration, Federal Crop Insurance Corporation, Forest Service, and Soil Conservation Service, and the Agricultural Stabilization and Conservation Committees. By special assignment of the General Counsel, Deputy General Counsel, or by an Assistant General Counsel, legal work relating to other programs and activities of the Department may be handled by a field office.

Legal Advice - The Office of the General Counsel issues both formal and informal opinions on legal questions arising in the administration of the Department's programs; prepares or reviews administrative rules and regulations applicable to the public; drafts proposed legislation; prepares or interprets contracts, mortgages, leases, deeds, and similar documents; prosecutes patent applications arising out of inventions by Department employees; examines title to lands to be acquired by the Department or accepted as security for loans; and considers and determines claims by and against the United States arising out of the Department's activities.

Administrative Proceedings - In administrative proceedings for the promulgation of rules having the force and effect of law and in quasi-judicial hearings held in connection with the administration of various programs, the Department is represented by the General Counsel.

Civil Litigation - Civil litigation arising out of the Department's work is handled by the Department of Justice, with the Office of the General Counsel assisting in the preparation and trial of such cases, except that the General Counsel represents the Secretary in administrative proceedings involving freight rates on farm commodities and in appeals from the decisions of the Commission to the courts and, by special assignment, the Assistant General Counsel for Litigation represents the Department in certain classes of cases before the United States Courts of Appeals.

Criminal Litigation - Cases having criminal aspects are reviewed for the purpose of referring them to the Department of Justice.

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Office of the General Counsel:						
Salaries and expenses	\$4,039,000	336	\$4,286,000	368	\$4,325,000	368
Obligations under other USDA						
appropriations:						
Expenses, Agricultural						
Stabilization and Conser-						
vation Service - legal						
services in connection						
with the conservation						
reserve program	34,186	5	78,950	7	51,000	5
Emergency Credit Revolving						
Fund, Farmers Home Admin-						
istration - legal services:						
in connection with the						
emergency credit loan						
programs	22,000	3	22,500	3	23,000	3
Total, Other USDA Appro-						
priations	56,186	8	101,450	10	74,000	8
Total, Agricultural Appro-						
priation Bill	4,095,186	344	4,387,450	378	4,399,000	376
Other funds:						
Reimbursements from Forest						
Service for:						
Board of Forest Appeals .	- -	- -	26,000	2	26,000	2
Legal services in connec-						
tion with lands purchased:						
from the Land and Water						
Conservation Fund	- -	- -	- -	- -	180,000	23
Total, Other funds	- -	- -	26,000	2	206,000	25
Total, Office of the General						
Counsel	4,095,186	344	4,413,450	380	4,605,000	401

Salaries and Expenses

Appropriation Act, 1966	\$4,184,000
Proposed supplemental, 1966, for increased pay costs	102,000
Base for 1967	4,286,000
Budget Estimate, 1967	4,325,000
Increase (to provide for full year cost of pay increases pursuant to P.L. 89-301)	<u>739,000</u>

PROJECT STATEMENT

Project	1965	1966 (estimated)	Increases and Decreases		1967 (estimated)
			Increased Pay Costs (P.L. 89-301)	Other	
1. Commodity and production stabili- zation	\$994,727	\$1,098,000	710,000	- -	\$1,108,000
2. Marketing, regula- tory laws, research, and operations	1,108,070	1,146,000	11,000	- -	1,157,000
3. Rural development and conservation ..	1,860,258	2,042,000	18,000	- -	2,060,000
Unobligated balance .	75,945	- -	- -	- -	- -
Total increased pay costs (P.L. 89-301	(- -)	(102,000)	(739,000)	- -	(141,000)
Total available or estimate	4,039,000	4,286,000	739,000(1)	- -	4,325,000

INCREASE

(1) An increase of \$39,000 to provide for the full year costs in fiscal year 1967 of the pay increase pursuant to P.L. 89-103. (An over-all explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1)



STATUS OF PROGRAM

The Office of the General Counsel provides, through its Washington office and twenty field locations, the legal services required by the Department of Agriculture. These functions relate primarily to preparing legal opinions, assisting in drafting and reporting on proposed legislation, drafting Department and agency regulations, representing the Department in administrative proceedings, examining titles to lands to be acquired or accepted as loan security, and disposing of claims by and against the United States arising out of the Department's activities.

Attorneys of this office frequently prepare complex cases for litigation and assist the United States Attorneys in the trial procedures. In a number of appellate cases, the Assistant General Counsel for Litigation presents the oral argument.

Examples illustrative of legal work performed during fiscal year 1965 follow:

COMMODITY AND PRODUCTION STABILIZATION

1. Commodity Credit Corporation Programs and Operations

The legal problems handled in connection with the various programs of the Corporation involved practically every field of law: contract, tort, corporation, bailment, taxation, agency, real and personal property, negotiable instruments, bankruptcy, admiralty, and criminal.

The continued adoption by States of the Uniform Commercial Code, with marked changes from the Model Code, has required that this office deal with many legal problems relating to the Code as it applies to security interests of Commodity Credit Corporation under the storage facilities programs.

2. Commodity Credit Corporation Litigation

	Fiscal Year <u>1964</u>	Fiscal Year <u>1965</u>
Commodity Credit Corporation cases:		
Number of cases referred to		
Department of Justice	300	298
Total dollar value of referred cases (millions)..	\$2.0	\$5.1
Number of cases pending in court or		
Department of Justice, end of year	751	678
Total dollar value of pending cases (millions)..	\$15.8	\$19.4
Producer-loan cases:		
Number pending in court or in U.S. Attorney's office, end of year	265	173
Number pending in Office of the General Counsel, end of year	93	103

The number of producer-loan cases continued to decline during the year. There was a slight increase in the number of these cases pending in the Office of the General Counsel as a result of heavier workload in other matters. The decline in producer-loan cases was due in part to the continued reduction in the number of farm storage facility loan cases and a decrease in commodity price support loan activities as a result of changes in farm legislation in recent years. These changes have shifted the emphasis from price support loans on certain commodities to producer payments for cropland diversions and conservation practices.

The decline in the number of producer-loan cases was offset by an increase in other Commodity Credit Corporation cases that involved much larger amounts of money and were far more complex and difficult than producer-loan cases. The substantial increase in dollar value of Commodity Credit Corporation cases referred during the year and in cases pending at the end of the year reflects this trend.

During fiscal year 1965, the total collections in Commodity Credit Corporation cases received and transmitted to the Department of Justice amounted to approximately \$1.1 million.

The following are illustrative of Commodity Credit Corporation litigation cases:

- a. Commodity Warehouse Cases. During fiscal year 1965, 22 new cases involving shortages and deterioration of grain or other commodities stored in commercial warehouses were prepared and referred to the Department of Justice. A total of 46 such cases were closed, leaving a total of 103 cases involving approximately \$7.9 million pending at the close of fiscal year 1965, compared with 123 cases in this category, involving approximately \$7.7 million, pending at the close of fiscal year 1964. Four new indictments were returned in warehouse conversion cases, making a total of 143 such indictments returned since 1951. There were two successful criminal prosecutions during the fiscal year, bringing the total convictions since 1951 in warehouse conversion cases to 106 individuals.
- b. Diversion of Feed Grain Exported to Austria Under Barter Program. At the request of the United States Attorney for the Southern District of New York, two attorneys of the Office of the General Counsel spent almost eight man-months with an Assistant United States Attorney in examining and analysing voluminous documents produced by some 36 companies under Grand Jury subpoenas and in interviewing officials of such companies, preparatory to presenting the Austrian Barter Program feed grain diversion case to the Grand Jury. The evidence thus obtained, together with evidence obtained in the previous investigation by the Department of Agriculture, resulted in an indictment of conspiracy to defraud being returned by the Grand Jury against one American grain exporting firm, two of its principal partners, and three foreign firms and their managing directors. The American firm and its senior partner, after pleading guilty and nolo contendere, respectively, were fined the maximum of \$10 thousand each. Shortly before the close of fiscal year 1965,

the Department of Justice asserted civil claims against 28 barter contractors and eight American grain exporting firms which acted as their commodity agents in the barter transactions. Four of the grain exporting firms promptly submitted offers in compromise totaling \$836 thousand. These were accepted by the Department of Justice shortly after the end of fiscal year 1965. In the case of each of the other firms, civil actions are filed against them by the Department of Justice in Federal district courts in New Jersey, New York, and Louisiana. Liquidated damages, upward price adjustments, and false claims forfeitures sought to be recovered in these suits total \$1.6 million.

- c. Transportation cases. A total of 110 new cases involving loss or damage or other claims against carriers in connection with the transportation of commodities were referred to the Department of Justice during fiscal year 1965. The great majority of these were claims against ocean carriers on overseas shipments under section 416 of the Agricultural Act of 1949 or Title II of Public Law 480. Many of these involved complex questions of admiralty law, including a number of general average matters. There were 44 transportation cases closed during the year, leaving a total of 184 such cases, involving approximately \$4.2 million pending at the close of fiscal year 1965.

Illustrative of the complexity of the admiralty cases arising during fiscal year 1965 was a case involving two cargo liners owned by the Orient-Mid East Lines, the OLAU GORM and ORIENT MERCHANT. These vessels were carrying cargoes of food commodities donated under Section 416 of the Agricultural Act of 1949 for relief distribution abroad. They did not clear the St. Lawrence Seaway enroute from the Great Lakes before the locks were closed for the winter on December 5, 1964. A controversy arose as to whether the carrier was entitled to terminate the voyages under an ice closure clause in the bills of lading unless additional ocean freight and other charges amounting to more than \$400 thousand were paid. The crisis of having the voyages terminated and the cargoes unloaded was avoided by an agreement under which the voyages would continue in the spring of 1965 and the controversy would later be settled or litigated. Suits have been filed by the carrier in the U.S. District Court for the District of Columbia to determine its right to the additional charges. The case has been complicated by the fact the ORIENT MERCHANT ran aground in the spring of 1965 while approaching the canal between Lake Erie and Lake Ontario, resulting in the total loss of the vessel. Most of the cargo was saved, but if the carrier is legally responsible for the grounding of the vessel the Government has a substantial claim against the carrier for loss and damage to cargo, refund of freight charges, and other costs. General average has been declared by the vessel owners, and the Government has denied the general average claim.

3. Food Stamp Program

The Food Stamp Act of 1964 resulted in a sharp expansion of the Food Stamp Program. A total of 68 new food stamp violation cases were prepared and referred to United States Attorneys during fiscal year 1965, as compared with 46 such cases referred during fiscal year 1964. Such cases involved possible violations of criminal and civil frauds statutes and civil claims for damages against retail and wholesale business firms. The Food Stamp Act of 1964 authorizes a procedure for informal administrative review of decisions disapproving applications by retail or wholesale food concerns to participate in the program or disqualifying such firms from further participation. Persons aggrieved by the administrative decisions have a right under the Act to file suits in Federal or State courts having competent jurisdiction to obtain judicial review of the administrative decisions. The Act provides that the trial in the court will be a de novo proceeding in which both the complainant and the Government prove their cases in full in court.

4. Suspension and Debarment Actions by CCC

Following the decisions of the United States Court of Appeals in the case of Gonzales v. Freeman, the Commodity Credit Corporation published in the Federal Register regulations for the suspension and debarment of persons from contracting or otherwise participating in programs administered or financed by Commodity Credit Corporation. The Contract Disputes Board, which has jurisdiction over appeals by debarred action, has recently published a complete revision of its rules of procedure in debarment, contract disputes, and other cases appealed to the Board. Attorneys from the Office of the General Counsel participated in the preparation of these regulations and rules of procedure.

5. Foreign Agriculture

Legal assistance given to foreign agriculture programs involved statutory construction, administrative law, contracts, sales, and litigation, as well as international and admiralty law.

- a. Foreign Market Development. One case arising out of the program to develop new and expanded markets for United States agricultural commodities, using foreign currencies derived under Title I of Public Law 480, included participation in the settlement of claims and court proceedings in Rome, Italy. Cooperative project agreements, research contracts covering supply and demand studies in many foreign countries, and amendments thereof were reviewed.
- b. Import Restrictions. Investigation reports covering possible violations of the Section 22 import regulation on dairy products were reviewed and the cases were referred to the Department of Justice. Legal assistance was also given in connection with the administration of Public Law 88-482 which provides for limiting imports of some types of meat under certain conditions.

6. Wheat Marketing Certificate Program

Legal assistance was provided on the wheat marketing certificate program which became operative in the 1965 fiscal year. The program affected wheat producers, processors, and exporters, and involved many novel problems. Attorneys of this office also worked closely with administrative officials and committees of Congress in the preparation of legislation which would extend the program for future years.

A suit was filed in the Federal District Court for the District of Columbia by six processors challenging the Secretary's regulations governing the processors' program. Thirty-nine other processors intervened and the case involved an estimated amount of \$95 million for the fiscal year 1965. A companion suit was also filed in the same court involving another aspect of the program. The District Court entered judgment for the United States, and these cases are now on appeal. A third suit filed on the West Coast challenged the constitutionality of the export certificate program. This office assisted the Department of Justice in preparing pleadings, affidavits, and briefs in these cases.

7. Agricultural Conservation Program

A number of opinions were rendered with respect to the application of the cost-share payment limitation under the program.

MARKETING, REGULATORY LAWS, RESEARCH, AND OPERATIONS

1. Marketing Agreements and Orders

In fiscal year 1965, amendment hearings were held concerning 47 existing milk orders and 6 existing fruit and vegetable orders. One amendment hearing also was held with respect to the marketing order for anti-hog-cholera serum and hog-cholera virus. During the year the total number of milk orders declined from 82 to 75, but the marketing area coverage was expanded. This resulted from consolidation and expansion of existing orders. In addition, 28 suspension and termination actions were taken with respect to milk orders. Hearings were held on new programs for 6 proposed fruit and vegetable programs, and 1 proposed milk program. The proposed fruit and vegetable programs included important commodities such as peanuts, hops, Bartlett pears, and olives. It is expected that amendment and new program activity will increase in fiscal year 1966 largely due to pending requests for pricing adjustments under the milk orders.

In fiscal year 1965, 21 section 8c(15)(A) formal administrative proceedings were initiated by handlers as against 13 in 1964, and 30 such proceedings remained open at the end of the fiscal year. In fiscal year 1965, 60 court cases were begun and a backlog of 92 court cases remained on June 30, 1965.

2. Perishable Agricultural Commodities Act

In fiscal year 1965, 313 reparation cases were instituted. Action was taken which resulted in disposing of 347 cases, leaving 114 pending on June 30, 1965. Seven disciplinary proceedings were pending at the beginning of fiscal year 1965. Nine new proceedings were instituted during the year and 13 were disposed of. In addition to orders disposing of cases, 43 additional orders were issued. These consisted of 14 stay orders, 17 orders in connection with petitions for reconsideration, 3 orders for the payment of undisputed amounts, and 9 miscellaneous orders.

3. Packers and Stockyards Act

During fiscal year 1965, 177 formal disciplinary proceedings were instituted as compared with 61 in 1961, 106 in 1962, 123 in 1963, and 101 in 1964. Such proceedings involve analysing investigation reports, preparing complaints, preparing and answering motions, representing the Department at formal hearings, preparing suggested findings of fact, conclusions of law and briefs, preparing exceptions to Examiners' reports and presenting oral argument.

During the year, 23 criminal and 66 civil proceedings under the Act were submitted to the Department of Justice for the institution of prosecution.

4. Other Regulatory Statutes

During the year there were submitted to the Department of Justice for initiation of court action 47 civil penalty cases under the 28-Hour law; 49 criminal cases under the Meat Inspection Act; 16 civil penalty cases and 2 libel proceedings under the Federal Seed Act; 151 criminal cases under the Animal Quarantine laws; 62 libel proceedings under the Federal Insecticide, Fungicide and Rodenticide Act; 16 criminal cases under the Commodity Exchange Act; 43 criminal cases under the Agricultural Marketing Act of 1946; 4 criminal cases under the United States Warehouse Act; 12 criminal cases under the United States Grain Standards Act; and 6 criminal cases under the Poultry Products Inspection Act.

The office also participated in 38 proceedings before the Interstate Commerce Commission, other regulatory agencies, and Federal courts, representing the interests of the agricultural community and the Department in matters involving rates, charges, and practices relating to agricultural commodities and farm supplies.

5. Research and Operations Division

- a. Contracts. Legal assistance included the examination and approval or correction of new forms and approximately 300 documents consisting of research and service fixed price and cost reimbursement contracts, cooperative agreements, memoranda of understanding, grants, permits, and licenses. This office made determinations in 38 mistake in bid cases under authority of the Federal Procurement Regulations and the decision of the Comptroller General dated October 3, 1955 (B125189).

Nine new contract 'appeal cases were received during the fiscal year. Nine cases were disposed of and there were nine cases on hand at the end of the fiscal year. One attorney from this office serves on the Board of Contract Appeals, and another attorney represents the agency contracting officer whose decision is being appealed.

- b. Personnel. This office collaborated with the Department of Justice in defending a suit filed in the Court of Claims by Agricultural Research Service employees at Plum Island Animal Disease Laboratory, New York, to recover unpaid compensation for overtime services allegedly worked during scheduled lunch periods since May 1959.

The Civil Service Commission replied favorable to a letter researched and drafted by this office which proposed an interpretation of the exemption provision in the Annual and Sick Leave Act of 1951 to temporary employees engaged on construction work which has resolved a complex administrative burden for the Forest Service in maintaining leave records.

Advice was given on the authority of the Department to discharge employees who, requested to testify before a public body on official matters, refuse to waive immunity from subsequent prosecution under state law or refuse to testify on grounds of self-incrimination.

A number of questions were considered under Executive Order 10988, relating to employee-management relations. Advice was given with regard to the Salary Reform Act of 1964, the Dual Compensation Act of 1964, legality of retroactive actions, conflict of interest, political activity restrictions of Federal employees, and the availability of confidential records.

- c. County Agricultural Stabilization and Conservation Administration. The office worked with the Department of Justice in defending a suit, Kelly v. Montana State ASC Committee, wherein a discharged county office manager is requesting reinstatement to his position. The suit is similar to Rasmussen v. United States, decided against the Government, and is filed in the same jurisdiction. The suit is important in that it will determine the validity of the changes made in the the Secretary's Regulations Governing ASC County and Community Committees to make clear the Department's intention regarding the hearing procedure for county committeemen and county office personnel removed for cause.
- d. Budget, Fiscal, and Departmental Administration. The increased emphasis on placing on a self-sustaining basis a number of programs of the Department, particularly those rendering services to particular groups, such as meat and poultry inspection, warehouse inspection, and classing and grading, occasioned considerable legal work. Other problems in this field involved interpretation of 7 U.S.C. 450 authorizing cooperation with the state agencies in administration of laws relating to marketing and the control and eradication of diseases and pests.

Legal work was performed in connection with proposed amendments to the Administrative Procedures Act and the use of local committees in connection with programs administered by the Department, such as those relating to rural community services and the Job Corps.

General Accounting Office audit questions required extensive review of the Department's authorities for construction and alteration of buildings and improvements and the availability of working capital funds. A number of questions on the applicability of state taxes were considered. Problems in the personal property field included purchase, sale and trade-in allowances, and acquisition of automatic data processing equipment. Inspection and quarantine services at international airports raised questions concerning payment for space and use of a lease-purchase agreement, with the Dade County, Florida, International Airport, covering a building for quarantine purposes.

The regulations of the Department of Agriculture under Title VI of the Civil Rights Act of 1964 were drafted in this office during the year and were approved by the President on December 3, 1964.

- e. Farmer Cooperatives. Consideration was given to proposed amendments to the Cooperative Marketing Act of 1926, and to a pre-merger clearance procedure for cooperatives, which involved meetings with other Government agencies, with respect to possible anti-trust violation questions. Problems incident to the tax treatment of cooperatives and their patrons included, among other questions, the tax exempt status of forestry cooperatives and proposed new regulations having to do with the income tax treatment of per-unit retain certificates or retains determined without reference to net earnings.
- f. Research and Extension. Legal assistance was given with respect to grants for construction of research facilities under the Research Facilities Act (7 U.S.C. 390-390a), including approval of forms, considerations of construction proposals, determination of proper recipients in States having more than one agricultural experiment station, and application of contract labor standard provisions to the construction contracts.

Legal assistance was given in connection with requests of congressional committees for a complete list of all research authorizations available to the Department; and for a list of research programs carried on by allotments under statutory formula, or with funds available only for work performed outside the Department, or by contracts, or under permissive grants, with a statement concerning administration of such programs with particular reference to such problems as the disposal of property, withholding of information under grant programs, handling of indirect costs, audit services, matching funds requirements, and impact of such programs on colleges and universities. Assistance was also given in drafting and coordinating the reports of all services of the Department affected by S. 561, the "Intergovernmental Cooperation Act of 1965", and drafting of proposed legislative authority for grants for applied

agricultural research similar to the existing authority with respect to grants for basic research.

The problems surrounding the proposed closing of a number of research stations and the transfer of activities among certain other stations required considerable study and advice.

- g. Tort and Other Claims. During the year there were pending in the various Federal District Courts 118 suits, sounding in tort against the United States, for damages to private property and for personal injuries allegedly caused by employees of the Department. The total amount of such damages sought in these suits amounted to \$8,323,858. Forty-nine of these suits against the Government were closed during the year, either by judgment, compromise settlement, or by dismissal of the action.

This office reviewed and analyzed the factual situations and the applicability thereto of State laws and court decisions, including determination of damages for property damaged and personal injuries sustained, in the adjudication of 409 claims under the Federal Tort Claims Act. Of these, 339 claims, in the total amount of \$111,329, were allowed for \$95,336, and 70 claims totaling \$42,446 were disallowed.

Besides cases considered under the Federal Tort Claims Act, opinions were written on a substantial number of claims involving injury to animals and destruction of other property by fire or other casualties which were considered under the three special Forest Service damage acts, namely, the Act of January 31, 1931, the Act of May 27, 1960, and the Act of June 20, 1958.

In addition, regulations of the Department were prepared and procedure established in connection with the Military Personnel and Civilian Employees' Claims Act, approved August 31, 1964.

- h. Patents. During the year, 152 new cases were submitted. Four hundred ninety cases were prosecuted through various stages in the Patent Office. Of these, 129 new cases were filed, 82 terminated as patents. Forty-six finally rejected cases were appealed to the Board of Appeals. Of appeals previously filed, nine terminated favorable to the Government and eleven terminated unfavorable. Three interferences were declared during the fiscal year, making a total of 10 interferences pending.

RURAL DEVELOPMENT AND CONSERVATION

1. Farmers Home Administration Program.

- a. New Legislation. Extensive perfecting work on legislative proposals to extend and revise the authority for the Rural Housing Program, including partial conversion to an insured program and establishment of a Direct Loan Account, was performed. Proposals to expand the regular Real Estate Insured Loan Program from the present annual

aggregate of \$200 million to \$450 million were revised and expanded to include other loan purposes, additional rural areas, and grants for community water and sewer facilities. These two projects involved correlating the Housing and Urban Development Act and the Public Works and Economic Development Act. The Rural Renewal Program and the Watershed Loan Program continued to require extensive legal work on State legislative matters in order to establish adequate authority in local public bodies.

- b. Loan Servicing and Litigation. New loans in the fiscal year 1965 were 137,893 as compared with 134,000 in 1964.

In 1965 loans to cooperatives, nonprofit associations, and public bodies total approximately 700. The impact of this increase in volume on our office is gauged most accurately by an accumulation of outstanding loans which are the result of steady increase in program volume during the last five years. The total legal servicing work is demonstrated by 213,208 loans outstanding June 30, 1964, as compared to 243,055 loans outstanding June 30, 1965.

2. Rural Electrification and Telephone Program.

- a. Cooperative Functioning and Tax Liability. This office worked on numerous questions relating to cooperative practices, bylaw and charter amendments, and borrower-consumer relationships in effecting compliance with REA's March 1964 recommendations for handling margins and patronage capital. Numerous questions on tax liability under both State and Federal laws were determined in rendering assistance to borrowers and to REA in evaluating loan feasibility and loan security.
- b. Federal Power Commission Jurisdiction and Review of Wholesale Rates to REA-Financed Cooperatives. Considerable legal assistance was furnished in analysing a variety of bills pending in Congress affecting the jurisdiction of FPC over cooperatives and over wholesale power contracts between public utilities and cooperatives.
- c. General Accounting Office Communications. This office prepared answers, in the nature of briefs, to a number of complaints filed with the General Accounting Office raising legal objections to loan-making and other administrative actions of REA.
- d. Litigation. Two suits were initiated during the year, in which the Administrator of REA and the Secretary of Agriculture are defendants. These suits presented issues as to standing to sue the Government with relation to REA power surveys and possible anti-trust aspects of the REA long term power contract requirements in connection with large generation and transmission facilities loans. These cases additionally raise the basic question of validity of generation and transmission loans under the Rural Electrification Act.

- e. Loans. A novel standard form of mortgage note was developed for the REA electrification and telephone programs in an effort to eliminate the need for numerous "basic-date agreements" previously required to modify repayment provisions of the earlier form of note. Substantial assistance was given in drafting modifications of the security provisions of the Uniform Commercial Code, in process of being adopted by a growing number of states, to meet the special security recordation problems of electric and telephone borrowers. Important modifications in the standard REA loan contract and mortgage were drafted to afford increased controls over the general funds of telephone borrowers. Novel questions were considered relating to the applicability of the rural area limitations of the REA Act to the financing of switching centers for integrated nation-wide telephone networks and of telephone facilities for cities created "overnight" by land development companies. The rapid increase of community antenna television (CATV) systems raised many problems of interpretation of the CATV provision of the Act.
- f. Power Supply. Pursuant to its compliance with Congressional recommendations to make so-called "power surveys" and carry on direct negotiations with power suppliers prior to making loans for electric generation and transmission facilities, REA has required increasing legal assistance in drafting and analysing complex power survey proposals, reviewing power survey dockets and certifications, and assisting in the direct negotiations with power suppliers.
- g. Territorial Integrity. Pursuant to Congressional recommendations that REA assemble information with respect to territorial disputes between REA borrowers and other electric suppliers and to assist in and report on their disposition, the office analysed litigation relating to such disputes. In order to better discharge its functions in analysing pending territorial disputes litigation for REA and in order to assist borrowers in coping with and finding solutions to their territorial dispute problems, the office kept records of pending litigation and of decided cases in this field, as well as all relevant statutory enactment. The product of this effort has been the preparation of a brochure entitled "Legal Aspects of Territorial Protection". This brochure contains analyses and classifications of more than 250 cases and about 30 statutes.

3. Forestry and Other Land Programs

- a. Regulations. The Secretary's administrative appeals regulation A-10 (36 CFR 211.20 - 211.37) was completely revised. The promulgation of the new appeals regulation resulted in a number of significant changes in the procedure for reviewing decisions of Forest Service officers. One such change is the establishment of the Board of Forest Appeals which will conduct hearings and render final decisions on appeals involving the legal effect of contracts and recommended decisions in appeals concerning the permitted use of National Forest other than where there is a right to contractual relief. Counsel was also furnished in preparing regulations for administering the national forest wilderness areas under the Wilderness Act. Other regulations,

including those relating to the Forest Development Transportation System (36 CFR, Part 212), the use and disposal of materials in acquired and related lands (36 CFR 251.4a), the Land and Water Conservation Fund Act of 1965 (36 CFR 251.25a), and the sale of timber from the National Forests (36 CFR, Part 221), were prepared, revised, or reviewed.

- b. Land Acquisition Programs. The acquisition of land for national forest purposes by purchase, condemnation, exchange, and donation increased substantially.

In 1965 fiscal year 1,459 easements were acquired for forest development roads to serve the multiple needs of the National Forests, the primary need being the marketing of timber. Many of these acquisitions, such as the Northern Pacific Railway Company Road Systems, the Potlatch Forests, Inc., Road Systems, St. Regis Paper Company Road Systems, Weyerhaeuser Company - Fremont Road Systems, and the Anaconda Company Roads Systems, involved the preparation and review of many complicated documents. There were 21 of the cooperative cost-share agreements entered into during the fiscal year 1965, making accessible approximately 9 billion board feet of national forest timber and approximately 4.25 billion board feet of other timber.

In this the second year of operation under the regulations in 36 CFR, Part 212, new easement forms, worked out with industry, were introduced and noticeable progress and improvement made in the acquisition, use, and maintenance of cooperative road systems to secure the reciprocal needs of the National Forests and intermingled private lands.

4. Soil Conservation Service Programs

In analysing State districts laws and drafting of amendatory legislation, considerable study and attention was given to the desirability of and necessity for providing the districts with appropriate authorities to enable them to assume greater responsibilities in the conservation, development, and use of urban and rural land, water, plant, wildlife, and outdoor recreation resources.

Assistance was given in the application of the Secretary's regulations on non-discrimination to Soil Conservation Service programs to insure that landowners and operators participating in the districts program, as well as participants in other programs administered by the Service, will not be discriminated against on the ground of race, color, or national origin.

OFFICE OF INFORMATION

Purpose Statement

The Office of Information was established under its present name in 1925 as a consolidation of functions formally organized as early as 1889, to coordinate in the Department the dissemination of information useful to agriculture as directed by the Act establishing the Department of Agriculture in 1862.

The Office has general direction and supervision of all publications and other information policies and activities of the Department including the final review, illustrating, printing and distribution of publications; clearance and release of press, radio, television, and magazine materials; maintenance of central files of news and general illustration-type photographs; and the preparation and distribution of exhibits and motion pictures. The Office publishes the Yearbook of Agriculture, the annual report of the Secretary of Agriculture, the Department Directory, and the Department List of Publications; handles the details of distributing farmers' bulletins allotted to Members of Congress; and services letter and telephone requests for general information received in the Department. Under the Department's Working Capital Fund, the Office also produces visual informational materials, such as motion pictures, exhibits, art and graphics materials, and still photographic work for the Department and other Government agencies.

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Office of Information:						
Salaries and expenses	\$1,689,000	112	\$1,915,000	115	\$1,826,000	120
Obligations under other USDA appropriations:						
Agricultural Research Service - for pesticides information	19,675	1	38,100	2	38,100	2
Great Plains Conservation Program, SCS - for information services.	15,245	1	17,000	1	18,000	1
Working Capital Fund (primarily for motion picture, photographic, art and graphics and exhibit services for other agencies, including agencies of the Department of Agriculture)	1,743,142	114	1,750,000	114	1,750,000	114
Miscellaneous Reimbursements	12,413	1	13,925	2	- -	- -
Total, Other USDA Appropriations	1,790,475	117	1,819,025	119	1,806,100	117
Total, Agricultural Appropriation Bill	3,479,475	229	3,734,025	234	3,632,100	237
Other funds:						
Assistance to EDA program (Department of Commerce)	20,788	2	- -	- -	- -	- -
Agency for International Development:						
Training of foreign participants	23,786	3	24,800	3	25,000	3
Technical consultation	16,395	1	23,550	2	23,750	2
Latin America	2,799	- -	- -	- -	- -	- -
Funds received from States, local organizations, individuals and others for work under Cooperative Agreements	9,037	- -	1,211	- -	- -	- -
Miscellaneous Reimbursements	9,626	- -	12,000	- -	12,000	- -
Total, Other funds	82,431	6	6,156	5	60,750	5
Total, Office of Information	3,561,906	235	3,795,586	239	3,692,850	242

Salaries and Expenses

Appropriation Act, 1966	\$1,689,000
Supplemental Appropriation Act, 1966	200,000
Proposed supplemental, 1966, for increased pay costs	26,000
Base for 1967	<u>1,915,000</u>
Budget Estimate, 1967	<u>1,826,000</u>
Decrease	<u>-89,000</u>

SUMMARY OF INCREASES AND DECREASES

	1966 Available	Increase or Decrease		1967 Estimate
		Pay Costs	Other	
Reprints of farmers' bulletins	\$267,500	- -	+\$30,000	\$297,500
Coordination and direction of Department-wide information programs	48,900	+\$400	+61,700	111,000
To establish a centralized Depart- mental file of color slides	- -	- -	+10,300	10,300
Elimination of non-recurring item in the Supplemental Appropriation Act, 1966, for reprinting of the 1965 Yearbook of Agriculture	200,000	- -	-200,000	- -
All other	<u>1,398,600</u>	<u>+8,600</u>	<u>- -</u>	<u>1,407,200</u>
Total.....	<u>1,915,000</u>	<u>+9,000</u>	<u>-98,000</u>	<u>1,826,000</u>

PROJECT STATEMENT

Project	:	:	Increases and Decreases:			
			1966	Increased	1967	
	1965	:(estimated):	Pay Costs	Other	:(estimated)	
			(P.L. 89-301):			
1. Publications review	:	:	:	:	:	:
and distribution	\$758,024:	\$758,400:	+\$3,800	+\$30,000(1):	\$792,200	
2. Review and distribu-	:	:	:	:	:	:
tion of current agri-	:	:	:	:	:	:
cultural information .	662,100:	843,600:	+3,000	-138,300(2):	708,300	
3. Review, preparation,	:	:	:	:	:	:
and distribution of	:	:	:	:	:	:
visual agricultural	:	:	:	:	:	:
information	304,409:	313,000:	+2,200	+10,300(3):	325,500	
Unobligated balance	4,467:	- - :	- -	- -	- -	
Total increased pay	:	:	:	:	:	:
costs (P.L. 89-301) ..	(- -)	(26,225):	(+10,375)	(+400)	(37,000)	
Total available or	:	:	:	:	:	:
estimate	1,689,000:	1,915,000:	+9,000(4)	-98,000	1,826,000	

INCREASES AND DECREASES

(1) An increase of \$30,000 for reprints of farmers' bulletins.

Need for Increase. Popular publications of the Department play a primary role in providing information on USDA services to those who can use them. They are a basic tool in focusing attention on consumer services and new responsibilities of the Department in rural America. They are serving in the consumer field, in rural community development, in low income credit, in the attack on poverty, in natural beautification and in recreational development as well as in the long-established research and crop programs.

Expanding services and programs will continue to increase the demands for the Department's popular subject-matter publications, including Farmers' Bulletins, Home and Garden Bulletins, and Leaflets.

Consumer interest centers heavily in Home and Garden Bulletins. This is illustrated by the fact that demand for copies of these bulletins has moved up from 4.3 million in fiscal year 1960 to more than 5.5 million each year since--with 1962 and 1964 running about 7 million each. Some of USDA publications have gained attention in national magazines and Sunday supplements.

Year-end supply deficits. Demand in recent years for popular publications has used up the available funds two or three months prior to the end of the fiscal year. As a result, reorder of a number of out-of-stock publications has not been possible, and in many instances Members of Congress have had to wait for periods of many weeks before orders from their constituents could be filled. Requests from the public have run into similar delays as follows:

For example, during June and July 1964, constituents received only an estimated 78 percent (about 122,850) of copies of publications that had been ordered for them from the Department by Members of Congress. In May 1965 a like situation developed.

In addition, an estimated 22 percent of copies of publications specifically requested of the Department by the public during July 1964 could not be sent because supplies were exhausted. Again in May 1965 an estimated 24 percent could not be sent.

A careful adjustment of the demand for publications to the supply on hand also has made it necessary to reduce the number of titles placed on the Congressional lists. The main Congressional list, known as List No. 1, was reduced from 493 publications in January of 1964 to 402 publications by May 1965.

Printing costs climb. Printing costs have been climbing for nearly two decades. Government printing costs, including those procured commercially, have increased especially in the last five years. A spot check of reprint

charges for six popular-type publications has shown that during fiscal year 1964 the charges were running about one-third higher than during the previous two fiscal years. The increased cost reduces the number of reprints the Department can buy with the reprint funds; for example, \$100 of increased costs represents 2,500 reprints the Office cannot buy at current rates. The demands for Farmers' Bulletins and Home and Garden Bulletins are increasing, but the purchasing power of the reprint fund is decreasing.

Plan of Work. The requested increase in funds for Farmers' Bulletins reprints will make it possible to improve the Department's ability to comply with requests from Members of Congress and the public.

(2) A net decrease of \$138,300 for current agricultural information consisting of:

(a) An increase of \$61,700 for coordination and direction of Department wide information programs.

Need for Increase. Basic to the full and continuing success of the broadened approach to coordination of Departmentwide or cross-agency information programs is the ability to (1) anticipate needed programs in support of Department policy and program goals, (2) draw on the resources of USDA agencies in effective development and execution of such programs, and (3) work more effectively with the public mass media and non-government organizations and agencies to stimulate interest in the use of information generated by the programs. This requires adequate staffing of high capability in the central Office.

During the past 2 fiscal years, the Office of Information has taken steps to redirect the information programs of the Department to (1) meet the needs of an agriculture that has become a minority industry as to population but yet needs full support for resources to continue its contributions to national and international goals, (2) explain Department programs and services more adequately to all consumers, and (3) provide full and effective support to all Department programs.

This has been done by super-imposing, above regular day-to-day operations, Departmentwide information programs designed to develop better understanding of Department goals and efforts, and of the significant contributions U.S. agriculture has made to the national welfare. These information programs have been shaped to provide essential information to back up the Department's need to inform consumers of its services and to disseminate information about the significantly broadened approach to rural areas development.

During the past year serious financial and staffing difficulties have developed. The situation has seriously affected the approved information effort. It has been caused by (1) the sharply stepped up USDA program activity, and (2) the fact that the Office of Information has been operating from a static resource situation.

During the past 4 years or more, there has been a sharp increase in both new and expanded activities in the Department. These have occurred in the whole range of USDA functions: commodity programs, P.L. 480 and related programs, income producing recreation, credit, rural areas development, food use, consumer protection, research, civil rights, and cross-agency or interdepartmental activities that require central office attention.

Compared with this massive step-up in Departmental activity, the resources of the Office of Information--except for pay act and postal increases-- have remained stable. In fiscal 1959, for example, the appropriation provided for 113 man-years of work. The actual for fiscal 1965 is 112 man-years. The last program increase received by the office was in fiscal 1962.

From this background, three points are apparent:

1. The Office of Information has increasing need to drive ahead with effective support--Departmentwide--in behalf of all USDA goals, programs and services.
2. The Office has virtually no control over its workload.
3. An adequate basis of financing its programs is essential for meeting the Office's obligations fully and effectively.

Recent major shifts in emphasis in Department programs, plus anticipated further shifts in policy, will require in 1967 a continuation of USDA-wide information effort on a stronger and more effective level to achieve desired results. This activity will fall into the following areas:

1. Rural Areas Development Program
2. Services and safeguards to all consumers
3. Agricultural trade and assistance programs
4. Key commodity programs

Rural Areas Development. A basic and fundamental shift in emphasis has occurred in rural areas development to promote "parity of opportunity for rural America." The President gave national impetus to this in his 1965 farm message when he directed that measures be taken to assure that the benefits of all Federal programs be distributed equitably between urban and rural areas.

The Rural Areas Development Program now is focused on helping the nearly one-third of the nation's population that is rural, and involves (1) community action, low income loans, Jobs Corps, Head Start, and other phases of the national anti-poverty program; (2) activities of other Federal Departments in education, manpower development, training, health, community facilities, resource development, housing, etc; and (3) expanded and stepped-up USDA activities -- credit, rural renewal, resource conservation and development, watershed protection, cropland conversion, educational assistance for low income people, school lunch and other food programs for low income people, and many other functions.

The size of the job ahead is indicated in part by these facts:

1. In 1960, there were 1,600,000 farm families and 2,800,000 rural non-farm families living in poverty; that is, with family incomes below \$3,000 per year.
2. At least 6 million new jobs will be needed during the next 10 years to fully employ rural manpower.
3. Less than 4 percent of the Manpower Development and Training Program projects during the past year were conducted in rural areas and in towns and cities under 10,000 population--where about 46 percent of the Nation's people live.

Expanded RAD programs and the new USDA responsibilities for enabling rural people to have equal access to all Federal programs will call for substantially increased information support in 1967.

Consumer information program. During the past year and a half, the Department has begun to experience a substantial break-through in getting information to the urban consumer. The need for continuation of this Departmentwide effort is heightened by (1) the Department's reorientation of consumer activities through the Consumer and Marketing Service, (2) White House emphasis through the President's consumer advisor, and (3) the need of consumers for information on Department services of direct benefit to them.

The initial impact of this coordinated Department information program brought broad-scale response for consumer information from urban news media, national organizations, and other outlets. For example, the General Federation of Women's Clubs which reaches nearly 11,000,000 people is now using such information. Some 3,500 urban organizations of various kinds are getting information regularly through the Department's monthly newsletter. Nationally syndicated columnists who are read by millions of people are using USDA consumer information. These outlets have stimulated requests for program materials, articles and publications beyond present ability to satisfy.

The Office has recommended and initiated working through groups to reach specific-interest audiences. This has great potential, but there have not been sufficient resources to follow through. Furthermore, although work with leaders in development of special material for low income people was planned two years ago by the Office, only small progress has been made. This now has high priority, supported by the Office of Economic Opportunity legislation and urging from the Office of the President's Consumer Advisor.

The Department will need to push ahead vigorously in the consumer information field to take effective advantage of the widespread interest in USDA consumer-oriented activities and to meet the growing demand for information about them.

Trade and aid. Effective information support will be needed increasingly in 1967 to (1) interpret agricultural developments concerning the General Agreement on Tariff and Trade and the European Economic Community; (2) explain U.S. opportunities for U.S. agriculture to expand exports, thereby

adding to farm and city income through jobs and improving our balance of payments; (3) develop better understanding of world food needs and U.S. policy in helping developing nations improve their economic development through food aid and technical assistance.

No satisfactory arrangement exists in the Department for supplying information fully and on a sustained basis for foreign outlets through such agencies as the United States Information Agency to present the American point of view on exports and aid. Similarly, additional means are needed to counteract the efforts of foreign countries to exploit their trade and export goals informationally in the U.S.

Commodity programs. A much sharper informational focus will be needed on farm programs. This is required because of new programs (such as Cropland Adjustment) and the expected extension and improvement of other programs (such as those for wheat and Feed Grains). Comprehensive informational work will be required to enable farmers and ranchers to make sound determinations on their participation in these programs and the best ways to mesh these new or improved programs with other Departmental programs, including credit and conservation. Nonfarm interest in the new programs also will require special information effort because of both direct and indirect benefits to the nonfarm population. As an example, the proposed Cropland Adjustment Program has provisions for development of outdoor recreation open to the public.

Plan of Work. Each of these expanded and new USDA responsibilities will call for substantially increased information output in 1967.

The Department's major effort in consumer information will be devoted to working with national organizations and groups in response to their requests for program materials, articles and publications. In the other overall information programs, we will make use of fact sheets, leaflets, slides, radio and television and related materials to meet the demands for information.

The Office already has many channels available for dissemination of the information, and is in a position to work with other agencies and with news media to open additional channels of communication that may be needed.

(b) A decrease of \$200,000 due to elimination of nonrecurring increase in 1966 Supplemental Appropriation Act for reprinting the Agricultural Yearbook of 1965. The reprint has been received from the Government Printing Office.

(3) An increase of \$10,300 to establish a central Department file of color slides.

Need for Increase. To service a greatly increased demand from media sources and from agency offices for color slides, the Department urgently needs a centralized file of 35mm original color slides.

The central file would provide a source for color photographs on Department programs for newspapers, magazines, TV, book publishers, photo agencies, and other Government departments, comparable to the present black and white central library. Magazines and newspapers are steadily increasing their use of color photographs. Those that print in color, or have color pages, prefer

that they be supplied with color slides for feature stories rather than black and white photographs. In some instances the availability of color photographs will determine whether a story is used or not.

Also important is the trend to increase color in television programming. As more stations get color capability, the demand for color public service materials continues to expand. To maintain or expand its TV outlet system in the future, the Department must be prepared to supply photo packages in color. The most feasible and most economical method for doing this is through the use of color slides.

The increase in demand for color slides is due also to new programs of the Department that reach toward expanded urban audiences through slide sets and filmstrips produced in the Department. These slides and filmstrips are for showing by civic associations, women's clubs, local organizations, churches and schools. With over 4,000,000 slide projectors in the country, and 1,000,000 filmstrip projectors in schools and churches, the potential outlets are extensive. The slide sets and filmstrips are also used by Department field personnel, and by personnel of other Government agencies, to reach specific audiences such as low income groups, minority groups, farm groups, consumer groups, and others.

Recent examples of new slide sets on new programs demanding broad dissemination are: "Safe Use of Pesticides," "A Share For All" (Food Stamp Program), "Selecting and Buying Food For the Young Family" (Consumer Program), "Meeting the Challenge of Change" (Rural Areas Development), "At Your Service" (Civil Rights). The demands of these new programs are in addition to the requirements for new slide sets on long standing programs, such as "Why A Farm Program For Wheat," "Why A Farm Program For Feed Grains," "It Happens Every Noon" (School Lunch), and "Corn Diseases."

Plan of Work. The proposed increase would be used to cull and pull together into the present Departmental file about 70,000 original color slides from about 75 locations among Department agencies. These slides, representing an investment of about \$75,000, would be catalogued, captioned, and made available for use of all Department agencies and to help eliminate possible duplication in planning to get more color pictures.

(4) An increase of \$9,000 to provide for the full-year costs in fiscal year 1967 of the pay increase pursuant to P.L. 89-301. (An overall explanation of increases for pay act costs is available in the Preface to these Explanatory Notes in Volume 1.)

SUPPLEMENTARY PROJECT STATEMENT

(The following schedule reflects a more detailed analysis of the obligations shown in the regular project statement)

	: 1965 :	1966 :	1967
	: (actual):	(estimated):	(estimated)
1. <u>Publications review and distribution:</u>	:	:	:
(a) Publications management	\$89,900:	\$86,200:	\$86,900
(b) Printing procurement	65,600:	67,300:	67,800
(c) Inquiries and distribution	318,800:	315,200:	317,600
(d) Printing of farmers' bulletins, reprints and lists	276,461:	267,500:	297,500
(e) Publications use study	7,263:	22,200:	22,400
Total	758,024:	758,400:	792,200
2. <u>Review and distribution of current agricultural information:</u>	:	:	:
(a) Press service	167,203:	191,300:	192,500
(b) Preparation of reports	96,226:	87,200:	149,600
(c) Radio and television	135,671:	142,100:	143,200
(d) Printing Agriculture Yearbook	223,000:	423,000:	223,000
Total	622,100:	843,600:	708,300
3. <u>Review, preparation, and distribution of visual agricultural information:</u>	:	:	:
(a) Art and graphics	20,697:	24,900:	25,000
(b) Exhibits service	66,079:	70,400:	70,700
(c) Motion picture service	122,586:	121,100:	122,000
(d) Photographic distribution	95,047:	96,600:	107,800
Total	304,409:	313,000:	325,500
Unobligated balance	4,467:	- - :	- -
Total available or estimate	1,689,000:	1,915,000:	1,826,000

STATUS OF PROGRAM

The Office of Information functions as the communications link between the Department of Agriculture and farmers, organizations, and institutions interested in agriculture, consumers, and the public at large. The Office provides a service to the Department and its constituent agencies--and to the ultimate users of agricultural information--by disseminating results of agricultural research and marketing, of trends in agricultural programs and policies, and of other equally pertinent subjects that are essential to carrying on the work of the Department. The Office of Information coordinates all information work in the Department; reviews for final clearance all information materials released to the public; and coordinates agricultural information activities with those of other Federal and State agencies.

Current Activities: The work of the Office in disseminating useful agricultural information is carried on in the following major areas:

1. Publications. Management of the Department's publications program (printed or otherwise processed), including policy review and clearance, printing, and distribution to farmers and to the public.
2. Current Information. Review and issuance of press, radio, television, and special reports materials in the dissemination of timely agricultural and consumer information; compilation and publication of the Agriculture Yearbook; and providing essential information on the Department's policies and programs to USDA employees in Washington and the field.
3. Visual Information. Production, issuance, and coordination of use of exhibits, still photographs, art and graphics, and motion pictures in disseminating useful agricultural and consumer information.

The Office also cooperates with nongovernmental, industrial, and other commercial organizations and sources on information matters relating to the work of the Department.

Selected Examples of Recent Progress:

1. Publications. The Office stressed economy in publications and gave close attention to the Department's special programs during fiscal year 1965. It pressed toward these goals in all aspects of its activity, in policy review and clearance, in printing operations, and in the distribution and use of publications.
 - a. Cost Reduction. The Publications Cost Reduction Program effected Department-wide savings of approximately \$215 thousand in fiscal year 1965. These savings were made possible by cancellation of proposed publications, elimination of color for all but the most functional purposes, elimination of separate covers for publications wherever possible, and elimination of blank pages by better planning of manuscripts. Economies were achieved also by shortening manuscripts, limiting illustrations, keeping publications to economical printing runs, and printing fewer copies. A two-day printing seminar for agency personnel dealing with procurement of printing was held to

further improve operations. Savings came about also through more economical mailing by use of the self-mailer technique.

- b. Printing and Publications Production and Clearance. Manuscripts received for review and clearance for printed publications increased slightly compared to the previous year. Those reviewed for processing ran somewhat higher, raising the total of manuscripts reviewed above fiscal year 1964. The total of new, revised and reprinted publications sent to the printer, however, still remained below the number handled prior to the publications cost reduction program.

	F.Y. <u>1964</u>	F.Y. <u>1965</u>
Manuscripts received for printed publications (new and major revisions, not including periodicals)	585	592
Issues of major periodicals reviewed	215	217
Publications manuscripts reviewed for processing	417	486
Other materials reviewed for processing	54	50
New publications to the printer	508	483
Revisions to the printer	69	94
Reprints to the printer, including slight revisions ..	374	359
Total printing orders written and placed	3,901	4,132
Total manuscripts reviewed	1,217	1,295

- c. Printing From Computer Data. The Office worked out special planning and printing problems for a new publication on pesticides. This bi-weekly periodical, known as the Pesticides Documentation Bulletin, is the first Department publication with data coming entirely from a computer. It required intricate figuring and planning to achieve proper copy reduction for an economical printing format. The periodical provides a specialized indexing of literature on pest control and pesticides, and is part of a Pesticides Information Center, which the National Agricultural Library has established.
- d. Extended Use of Self-Mailers. Use of the self-mailer technique was extended to an additional 64 reports during fiscal year 1965 for Department-wide savings of more than \$6,700.
- e. Publications Printed and Distributed. The number of copies of both new publications and reprints coming from the press in fiscal year 1965 dipped noticeably. (See table below.) A major reason was the fact that the series of program aids, used in part to explain crop programs to farmers, fell from more than 19,000,000 copies in fiscal year 1964 to slightly over 10,000,000. Reprints of program aids likewise fell from about 9,000,000 in fiscal year 1964 to less than 2,000,000 in fiscal year 1965. Copies of new farmers' bulletins dropped but reprints increased.

	Fiscal Year <u>1964</u>	Fiscal Year <u>1965</u>
<u>Publications Printed and Distributed</u>		
Copies of all Publications (In Millions)		
Total stocks of all publications		
at start of year	16.7	18.4
New publications printed	37.0	22.3
Reprints printed	<u>22.1</u>	<u>14.2</u>
Total available for distribution	75.8	54.9
Stocks at end of year	<u>18.4</u>	<u>16.7</u>
Total distribution	57.4	38.2

Farmers' Bulletins Printed and Distributed
(In Millions)

Total stocks of all bulletins at start		
of year	8.1	8.0
New publications printed	2.4	1.2
Reprints printed	<u>9.3</u>	<u>10.0</u>
Total available for distribution	19.8	19.2
Stocks at end of year	<u>8.0</u>	<u>7.5</u>
Total distribution	11.8	11.7

2. Current Information

- a. Press Service. Work was continued with agency information divisions to improve quality of releases, put more emphasis on releases of national import, and to confine reports and announcements of limited interest to regional distribution. This resulted in an increase in regional and limited-distribution releases, and a slight reduction in the number of national releases -- a deliberate managerial policy action designed to make maximum use of news releases and cut production and distribution costs. The number of national releases totaled 3,306, compared with 3,409 the previous year.

Reports -- situation, special studies, and other -- totaled 1,005, about the same as in 1964. The number of news releases "posted" increased from 963 to 1,442. (News releases of sectional rather than national interest are "posted" for interested correspondents. This reduces paper, mimeographing and distribution costs.)

Increased emphasis was placed on the auxiliary services of answering queries, supplying background information, arranging for press representatives to confer with specialists, and providing other services which enabled correspondents to obtain the information they needed more easily to facilitate accurate publication of material about the Department's programs and services.

Efforts were continued to maintained and expand personal contacts with the media as a means of keeping alert to press needs and assuring

maximum dissemination of Department information through press media. Mailing lists for Food and Home Notes continued record-high. This newsletter now goes to more than 5,500 women's editors, other writers on mass media, and home economists in business, universities, hospitals and government. By request of writers, Farm Paper Letter added 76 to its 1964 mailing list of 633.

- b. Radio and Television Service. Two significant changes in the broadcast media during the past year have been the vast increase of transistorized radio receivers in use by Americans in almost every conceivable location, and the tremendous growth in the use of video tape by television networks and stations as a substitute for "live" or film presentations. However, the increase in radio stations on the air from 5,689 in July 1964 to 5,934 in July 1965, and the increase in television stations from 790 in December 1964 to 821 in July 1965 has further stimulated demands for radio and television materials from the Department. Nationally recognized surveys show that the average family home in the U.S. watches television 5.5 hours per week.

"Across the Fence," the weekly half-hour color videotaped program produced by USDA in cooperation with WRC-TV, Washington, is now into its fifth year on the air and is now being broadcast weekly by 14 stations from coast to coast, at no cost to the government. A year ago it was shown on seven stations. A new weekly videotaping activity in cooperation with WRC-TV, Washington, provides USDA with five 4-1/2 minute featurettes per week of USDA material for duplicating and distribution to the 140 stations using USDA videotapes regularly. Production of these featurettes is done at no cost to the government. WRC-TV makes first use, then releases the material to USDA. The number of TV stations using short video taped features regularly from USDA, about one per week, has grown from 100 to 140 during the past year. The greatly increased demand for video taped information has created some problems of maintaining high quality of tapes repeatedly used. Still-photo packages with scripts continue to be in demand by farm and home programmers on over 400 TV stations.

Increases in the weekly "Agri-Tape" radio feature are from 315 to 374 during the past year, in "Agriculture USA" from 200 to 212. "Agri-Tape," because it is used on several land grant college and state farm organization tape services to stations, is heard on an estimated 400 to 500 stations. USDA production, weekly, of the ABC radio network program "American Farmer," continues.

- c. Special Services. Broad areas of information service emphasized in fiscal year 1965 included Consumer Services, Rural Areas Development, Pesticide Safety, Agricultural Trade and Commodity Programs. In addition, material was prepared to service requests for information on new agricultural programs; poverty and Appalachian programs; income producing outdoor recreation; importance of agriculture in the national economy; and interdependency between consumers and farmers. Articles were prepared on request for magazines, encyclopedias, and

newspapers. Subjects ranged from teen-age nutrition, school lunch, meat inspection and grading, USDA functions, agricultural trade, food prices, food buying, consumer credit, co-operatives, production trends, research, farm recreation, rural areas development to urban consumer's dependence on agriculture.

- (1) Consumer Services. This information program was geared toward the group approach--to work through large consumer-interest groups with established channels of communications to members; to produce program material for groups; to intensify work with information multipliers on the national level. The purposes were: To increase consumer awareness of, and thus make better use of, the many USDA services which directly or indirectly benefit and safeguard them; and to help urban consumers better understand the interdependence of consumers and farmers in today's economy.

During the year the Office worked with special interest groups. For example, a program and information material were developed for annual convention of labor editors. The program emphasized Department services of interest to union families, which also served to broaden the base of understanding and interdependence between farm-labor. Also tailored was an information program, which featured a panel of top-level USDA experts, for AFL-CIO conference of community service leaders. Over 500 attended, representing Community Service Centers in 150 major cities. Both groups represent millions of families. A program prepared for General Federation of Women's Clubs included general background on USDA services; National School Lunch Program; and the need for improving teen-age nutrition. The report on teen-age nutrition was also made available to other consumer groups. This resulted in nationwide news coverage for a period covering six months, with pickup by network television, a wire service, and two national weekly magazines.

SERVICE, a monthly consumer newsletter, generated broad national interest in USDA services and activities in fiscal year 1965. It stimulated more than 100,000 requests for information and publications concerning school lunch, natural beauty, recreation, nutrition, consumer protective services, pesticide safety, gardening, agricultural facts. A short item brought over 200 requests for a beef grading demonstration and also resulted in radio-TV appearances.

SERVICE, now in its second year, is mailed on request to 5,500 people in associations, house organs, consumer cooperatives, women's organizations, business, industry, labor, church, civic, trade, senior citizens groups, and other multipliers which have newsletters or publications.

"Consumer's Quick Credit Guide" and "A Consumer's Guide to USDA Services," two new brochures, were among the top ten most popular

publications for fiscal year 1965. The credit guide, second most popular publication, had distribution totaling 467,700, while consumer's guide distribution totaled 156,415. The two publications were developed as part of the consumer information program. The Office continued to cooperate with the office of the Presidential Assistant for Consumer Affairs, providing information support with reference to USDA programs. Attention in fiscal year 1965 was focused on low income consumers.

- (2) Rural Areas Development (RAD). In 1965 a number of new RAD pamphlets were published, including "Rural Areas Development at Work," "The Role of the Department of Agriculture in Accelerating Rural Outdoor Recreation on Public and Private Lands," "Home Economists and Rural Areas Development," and a pamphlet on rural renewal in Arkansas. Work began on a new RAD film. Two short RAD films were shown more than 1,000 times during the fiscal year, which included 65 television bookings. Nearly 100 TV stations in major metropolitan areas received a color short reporting on income-producing outdoor recreation enterprises. The affect of a changing rural America on town and city is to be highlighted in a slide series now underway. Background on outdoor recreation was provided for articles in a national magazine and in a nationally syndicated column. State Secretaries of Agriculture and others were encouraged to prepare directories of privately owned outdoor recreational areas. Information support was provided to the newly formed Rural Community Development Service.
- (3) Pesticide Safety and Pest Control. In consultation with state information leaders and other USDA agencies, a national pesticide information program was planned and launched with the two-fold objective of informing the public of the importance of pest control in out modern society and encouraging the proper, safe use of pesticides. To implement the program, fact sheets, picture stories, and motion pictures were prepared and distributed on a nationwide basis. A film strip and picture story related pesticide safe use were made available during fiscal year 1965 to a national distribution service which supplies weekly news series to schools. This fall, one million school children in 5,000 schools will have the opportunity to learn about the need for using pesticides safely. With the endorsement of the Advertising Council, for a second year, program materials including filmed and recorded spot announcements were supplied to all radio and television stations.

A pest control symbol was designed for use on Department publications and general public distribution. Release of information was expanded on the Department's pest control activities in areas of research and regulation. The Office also cooperated with the National Safety Council's campaign to promote rural pesticide safety. Liaison with other Federal agencies was maintained in an effort to coordinate pest control information. The Office is represented on the Federal Pest Control Committee's

information sub-committee. Some 70 publications were revised to update pesticide information, stressing the Department's policy of safe use, and the necessity of pesticides in our economy.

- (4) Agriculture's Importance to the National Economy. Heavy demand continued for information about the importance of agriculture to the national economy and to individual consumers. The leaflet "Background on U.S. Agriculture" was revised and reprinted. The revised issue resulted in feature newspaper treatment in a New York City paper, and favorable editorial comment in other parts of the country. "The Fact Book of U.S. Agriculture," which also has been revised, is still in strong demand and is being sent on request to editors and broadcasters, business, industry, and trade associations.
- (5) Defense. Nine publications on defense subjects were reprinted, revised, or printed new during the fiscal year 1965. The two most popular were "Family Food Stockpile For Survival" and "Defense Against Radioactive Fallout on the Farm." Seven motion pictures and three filmstrips were completed in cooperation with other agencies. A radio program on rural defense was distributed to 180 radio stations, and the exhibit "Your Family Survival Plan" continues to be displayed at various conferences, conventions, and fairs around the country.

Great Plains Conservation Program. A continuing objective in fiscal year 1965 was to inform people outside the Great Plains of the progress made in solving the region's special conservation problems, and its significance to them. The drought in the southern Plains provided an opportunity to show how the Great Plains Conservation Program helped farmers and ranchers prepare for and minimize losses recurring from natural disasters. In addition to presenting Great Plains information through regular press, radio, and television outlets and through work with the Great Plains Agricultural Council, the Office cooperated with the Soil Conservation Service to produce special materials. These included a 12-minute color documentary motion picture, "New Life for the Plains;" preparation of a well-illustrated progress report entitled "The Great Plains Conservation Program," and obtaining additional motion picture footage and completion of much of the production work for a 27-1/2 minute documentary motion picture on the progress made by a group of farmers and ranchers participating in the Great Plains Conservation Program.

3. Visual Information Activities. Central services for the planning, preparing and production of art and graphics, exhibits, motion pictures, and still photography are financed primarily by the agencies requesting the services. Staff leadership, overall coordination, direction and supervision are financed by the appropriation for the Office of Information.

- a. Art and Graphics. The number of jobs processed were 2,313 compared with 2,328 in fiscal year 1964. Included were a series of design layouts for use at U.S. food centers overseas to promote the sale of American food products.

b. <u>Exhibits</u>	<u>FY 1963</u>	<u>FY 1964</u>	<u>FY 1965</u>
New Exhibits Produced	73	47	51
Exhibits Renovated	179	180	223
3-D Visual Aids Produced	41	26	112
Exhibit showings arranged by USDA and State Extension Service	255	275	330

Services were provided for the design and construction of the feature exhibit at the White House Conference on Natural Beauty as well as the exhibit on Cooperatives Help Build a Better America. Design work was completed for Forest Service Visitor Information Centers at Missoula, Montana and Ely, Minnesota while preliminary studies were begun for a Center at Cape Perpetua, Oregon.

- c. Motion Pictures. Ninety-two films were produced and released during fiscal year 1965, compared with 68 the year before and 81 in fiscal year 1963. The increase shown in the table below is due to increasing requests for TV shorts particularly in the 2-7 minute slot.

	<u>FY 1963</u>	<u>FY 1964</u>	<u>FY 1965</u>
Productions - 30 min. to 60 min.	0	1	1
Productions - 15 min. to 30 min.	18	14	13
Productions - 7 min. to 15 min.	13	11	14
TV shorts - 2 min. to 7 min.	25	17	36
TV shorts - 10 sec. to 2 min.	25	25	28

At the beginning of fiscal year 1966 there were some 47 films in production, or scheduled for production, as against 45 films at the offset of fiscal year 1965 and 35 in fiscal year 1964. Three films were honored in national competition - TURNING POINT (on FHA credit) won a Blue Ribbon and TENTFLAPS AND FLAPJACKS (on recreation in national forests) won Red Ribbons in the annual American Association of Agricultural College Editors contest, while SOMETHING TO CROW ABOUT (on the poultry industry) was selected for showing at the American Film Festival in New York.

DISTRIBUTION

	<u>FY 1963</u>	<u>FY 1964</u>	<u>FY 1965</u>
Film subjects in circulation	450	491	531
Estimated prints in circulation	62,000	65,000	66,000
Audience showings via Libraries and field offices	112,758	102,290	103,325
Washington, D. C. office	10,679	10,720	11,851
Television showings via Libraries and field offices	662	618	693
Washington, D. C. office	5,286	6,870	7,493

- d. Still Photography. Over 3,600 requests were received for USDA photographs and slide sets from news outlets and the public during fiscal year 1965. Eight new filmstrips, eleven slide sets and seventeen picture stories were produced and released. Typical filmstrip and slide series subjects were "Selecting and Buying Food for the Young Family," "New Opportunities in Rural Recreation," "It Happens Every Noon" (School Lunch story). A total of 6,355 requisitions for photographic reproduction work were handled compared with 4,710 in fiscal year 1964.

NATIONAL AGRICULTURAL LIBRARY

Purpose Statement

The National Agricultural Library, pursuant to the Department's Organic Act of 1862, and under delegation from the Secretary, "procures and preserves all information concerning agriculture which can be obtained by means of books...." A specific appropriation for the Library was first made in the Act appropriating funds for the fiscal year 1865.

In addition to the central Library which serves the whole Department, several agencies of the Department maintain and finance their own libraries and provide library and bibliographical services. These libraries are situated at various field locations where concentration of work and research staff warrants on-site library services. The Director of the National Agricultural Library prescribes library policy, standards, and procedure of these field library services and exercises such controls as are needed to coordinate library services in the Department.

The National Agricultural Library makes available to the research workers of the Department and the State agricultural colleges, as well as to the general public, the agricultural knowledge of the world that is contained in published literature. This reduces duplication of effort and avoids diversion of valuable time of scientists and administrators by letting them know what has been done previously in their fields. The Library collects current and historical published material and organizes it for maximum service to the Department and to the public through reference services, loans of publications, bibliographical services, and photo-reproductions of library material. It issues a monthly Bibliography of Agriculture in which is listed the agricultural literature of the world. It also issues a bi-weekly Pesticides Documentation Bulletin in which is listed literature on pest control. The book collection approximates 1,248,000 volumes.

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual 1965		Estimated Available 1966		Budget Estimates 1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
National Agricultural Library:						
Salaries and expenses.....	\$1,599,000	164	\$1,735,000	172	\$2,501,000	188
Library facilities.....	- -	- -	7,000,000	- -	- -	- -
Total.....	1,599,000	164	8,735,000	172	2,501,000	188
Obligations under other USDA						
appropriations:						
Special bibliographic						
services for the Agri-						
cultural Research Ser-						
vice.....	8,484	1	8,800	1	9,100	1
Total, Agricultural Appro-						
priation Bill.....	1,607,484	165	8,743,800	173	2,510,100	189
Working Capital Fund for						
microfilm and photoprint						
reproductions of Library						
materials.....	41,492	4	46,000	4	44,000	4
Other funds:						
Agency for International						
Development:						
Training of foreign						
participants.....	7,945	1	7,100	1	7,100	1
Technical consultation	- -	- -	- -	- -	128,800	13
Total, Agency for						
International						
Development....	7,945	1	7,100	1	135,900	14
Farm Credit Administration-						
Library services.....	5,576	1	6,000	1	6,000	1
Special library services						
for other organizations	66,844	8	- -	- -	- -	- -
Total, Other funds...	80,365	10	13,100	2	141,900	15
Total, National Agricultural						
Library.....	1,729,341	179	8,802,900	179	2,696,000	208

(a) Salaries and Expenses

Appropriation Act, 1966	\$1,699,000
Proposed supplemental, 1966, for increased pay costs	36,000
Base for 1967	<u>1,735,000</u>
Budget Estimate, 1967	<u>2,501,000</u>
Increase	<u>+766,000</u>

SUMMARY OF INCREASES

	1966 Available	Increase		1967 Estimate
		Pay Costs	Other	
To provide urgently needed services to scientists, to acquire, catalog, maintain and service publications, and to coordinate scientific and technical information activities of the Department	\$1,626,900	+\$12,000	+\$366,800	\$2,005,700
To automate those systems which will permit the Library to provide broader, more efficient services	108,100	+400	+386,800	495,300
Total	<u>1,735,000</u>	<u>+12,400</u>	<u>+753,600</u>	<u>2,501,000</u>

PROJECT STATEMENT

Project	1965	1966 (Estimated)	Increases		1967 (Estimated)
			Increased Pay Costs (P.L. 89-301)	Other	
1. Agricultural library services:					
a. General library services	\$723,175	\$742,600	+\$5,400	- -	\$748,000
b. Specialized services to research	867,000	992,400	+7,000	+\$753,600(1)	1,753,000
Unobligated balance	8,825	- -	- -	- -	- -
Total increased pay costs (P.L. 89-301)	(- -)	(36,000)	(+12,400)	(+3,600)	(52,000)
Total available or estimate	<u>1,599,000</u>	<u>1,735,000</u>	<u>+12,400(2)</u>	<u>+753,600</u>	<u>2,501,000</u>

INCREASES

(1) An increase of \$753,600 consisting of:

(a) An increase of \$366,800 to provide urgently needed services to scientists, to acquire, catalog, maintain and service publications and to coordinate scientific and technical information activities of the Department.

Need for Increase: The National Agricultural Library has a vital and direct relationship to the efficiency of the nation's research program by providing access to published agricultural, biological, chemical and social science information. Pressures for improved agricultural-biological library services at the national level have been increasingly heavy during the past few years from scientific groups, individual research workers, and from national planning bodies such as the Committee on Scientific and Technical Information. It is imperative therefore that the National Agricultural Library strengthen its efforts to provide urgently needed services to scientists and to coordinate scientific and technical services of the Department.

Plan of Work: Funds would be used to:

1. Maintain and service publications to enable the Department scientists to have ready access to Library material.
2. Meet needs for reference service.
3. Provide for binding the increasing number of journals being added to the collection.
4. Analyze the Library's collection to identify and properly maintain and service rare and unique publications for the benefit of scientists.
5. Provide broader and freer access to published research sources for the Department's scientists by increasing photocopy in lieu of loan services.
6. Assure the preservation of irreplaceable publications through increased microfilming.
7. Cover increased costs of journal subscription and newly published works in the bioagricultural fields.
8. Expand publications gift and exchange program.
9. Increase production of the Bibliography of Agriculture to provide scientists with access to 200,000 articles annually in the bioagricultural field.
10. Identify, evaluate and establish policies and procedures for coordination of non-literature resources, such as statistical studies, regulatory studies, unpublished research reports and specialized data collections. Efforts would be continued to extend cooperative arrangements with land-grant institutions and the agricultural industrial community.

(b) An increase of \$386,800 to automate those systems which will permit the Library to provide broader services and at the same time make more efficient use of its manpower.

Need for Increase: Greater use of automation to make more published scientific information available to American scientists was a major finding of a review made of the Library's programs. Automation of bibliographic and indexing activities has already been undertaken.

The monthly author index of the Bibliography of Agriculture was computer produced for the first time in March 1964. Further automation is needed to increase the number of items indexed annually in the Bibliography of Agriculture from 110,000 to 250,000. This will help American scientists to keep pace with the increasing amount of scientific agricultural material (estimated to be doubling in volume every 10 years). The Pesticides Information Bulletin, an index to published information in the pesticides field, was produced by a computer for the first time in March 1965.

Further automation will provide a complete, computer-based, information storage and retrieval and publication system covering the broad pesticides field. The first step in producing a standard vocabulary of agriculture has already been taken. This vocabulary is needed to serve as a key to published and unpublished research reports and other agriculture-related information. It is also needed in order to make better use of automation in library activities.

Plan of Work: Funds will be used to:

1. Intensify development of an up-to-date, authoritative agricultural vocabulary to permit broader use of mechanized systems. Two systems of subject analysis have been developed over the 100 years of the Library's existence--one for classifying books for the public catalog and another for indexing of articles in the Bibliography of Agriculture. It is vital to develop one vocabulary list designed to be the basis for an integrated automated agricultural information storage and retrieval system.
2. Operate the Library systems which have already been automated. These include the computer-produced monthly author and subject indexes to the Bibliography of Agriculture, and the indexing, printing and computer time for that portion of the total National Agricultural Library system being developed for the Pesticides Information Center.
3. Conduct a computer feasibility study of documentation services needed by users, and of computer capabilities and equipment configurations that are required for the efficient operation of an automated library system.
4. Provide fast and effective documentation service to users. Routine library functions such as ordering of publications, receiving and record-keeping, cataloging, and circulation controls will be improved. Initial work will begin on the application of computer science to the many clerical functions involved in these and other library activities. This task has as its goal faster services to users, and reduced man-power costs per unit of work.

(2) An increase of \$12,400 to provide for the full year costs in fiscal year 1967 of the pay increase pursuant to P.L. 89-301. (An over-all explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1.)

STATUS OF PROGRAM

The National Agricultural Library, cooperates jointly with the two other national libraries--Library of Congress and the National Library of Medicine--in collecting, on a worldwide basis, publications in the sciences and organizing them for optimum use. Its services are made available not only to the Department of Agriculture, but throughout the world to agricultural colleges and universities, other research and educational institutions, individual scientists, industry, farmers, and the general public.

Current Activities: These services are performed through the following major functional areas and include:

1. Office of the Director: Direction and supervision of all library services in the Department, as well as the Pesticides Information Center.
2. Technical Services: Selection from national and international sources, acquisition, classification, cataloging and preparation for maximum use all books, journals, and other publications for the Department Library collection; development of an agricultural vocabulary suitable for national use; upon request, classification and cataloging for agency field libraries; and maintenance of a national information center on exchange of agricultural publications.
3. Public Services: Individual reference and lending work, compilation of special bibliographies, provision of photoprint and microfilm copies of Library material, and preservation and maintenance of the nation's and world's heritage of published knowledge in the field of agriculture.
4. Field & Special Services: Compilation of continuing bibliographies, provision of reference, bibliographic, and lending services in specialized areas, authorization, direction and review of agency field libraries; and provision of leadership in developing plans for maximum utilization of the nation's agricultural-biological library resources and services.
5. Program Coordination Services: Coordination of policy releases and general management requirements of the Library; orientation and training of non-Library personnel; and development of procedures and controls for Departmentwide coordination, documentation, and other than initial dissemination of scientific and technical information.

Selected Examples of Recent Progress:

Office of the Director: The establishment of a Pesticides Information Center was accomplished during fiscal year 1965.

A biweekly indexing journal, Pesticides Documentation Bulletin, covering worldwide literature in pest control-related research, was designed and regular publication begun in March, 1965.

Specifications for a complete computer-based system were set forth and bids invited. A contractor was selected and work on the first phase--systems design--was completed in November 1965.

Technical Services: Arrangements to publish the Dictionary Catalog of the National Agricultural Library, 1862-1965, without cost to the Department and at a reasonable cost to purchasers were successfully completed. It is expected that the complete work will be published in about 68 volumes during fiscal year 1967. Arrangements also have been made to publish a monthly catalog during calendar year 1966.

Results of a special project show a reduction in the receipt of duplicate copies of periodical issues, 63,665 fewer pieces this year than last. The time saved permitted the addition to the collection of 9,191 more periodical issues than were added in 1964.

The program to acquire publications of importance to agriculture without cost was expanded to include selected books from five commercial publishers and one university press. In addition, agreements have been made with publishers to supply continuing subscriptions to 193 periodicals without cost to the Library in exchange for indexing them in the Bibliography of Agriculture.

The development of an authoritative agricultural vocabulary for national use is well underway. The Agricultural/Biological Subject Category List has been issued.

The cataloging situation improved again this year due to continuous staff training and development. As a result, 1,753 more titles were cataloged than during the previous year. Only 322 pieces were added to the cataloging backlog in 1965, a reduction of 2,379 pieces from the 2,701 pieces added in 1964, making a total cataloging backlog of 43,768 pieces.

Public Services: The number of reference questions answered during the past fiscal year increased by 2,913 or 2.6%, from 111,789 to 114,702. A total of 240,866 loans were made in 1965, a slight decrease from the previous fiscal year.

Sixty-two printed, typewritten, mimeograph, or slip bibliographies and lists were prepared, an increase of 7 from the previous fiscal year. Representative examples include:

- (a) Aircraft in Agriculture (Printed)
- (b) Absorption of Iron and Zinc by Plants (Typewritten)
- (c) Food Technology and Marketing (Slip)
- (d) Range Management (Mimeograph)
- (e) Allergic Reactions to Bee Stings (Typewritten)
- (f) Kinetin (Typewritten)
- (g) USDA Publications on Adhesives (Slip)

Major bibliographies in progress include Cooperation in Agriculture, Utilization of Soybeans, and Activated Charcoal.

Binding was again performed by a small business concern at a cost of \$2.75 per volume, an increase of 25 cents per volume, under a waiver issued by the Public Printer. In 1965, 7,850 volumes were bound as compared with 9,163 in 1964, a decrease of 1,313 volumes.

Field & Special Services: A total of 110,172 items indexed in the Bibliography of Agriculture increased access to the world's agricultural literature. Items indexed in fiscal year 1964 amounted to 106,712. The third edition of Serial Publications Indexed in the Bibliography of Agriculture (Library List No. 75) was completed for publication. Mechanization of the Personal Index to the Bibliography of Agriculture was completed. Work was started on the Bibliography's mechanized subject indexes. Both indexes utilize a scanner-computer combination.

The preparation of two more bibliographies for the Library's Oriental publications are expected to be completed by mid FY-1966, -- one for the agricultural publications issued in Mainland China before the Communists took over, and the other for the Communist Chinese monographs.

The Beltsville Branch, which gives on-site service to the Agricultural Research Center, loaned 24,269 books and periodicals, answered 18,859 reference questions, and prepared 15 bibliographies. The Bee Culture Branch added 1,080 items to its comprehensive bibliography of the world's beekeeping literature, made 1,474 loans, and answered 849 reference questions. The Law Branch loaned 13,088 publications, answered 13,075 reference questions, and prepared 59 legislative histories.

As of June 30, 1965, 13 agency-supported field libraries, authorized to meet specialized, on-site field needs, were in operation.

Forest Service has established libraries at the Forest Products Laboratory, Madison, Wisconsin; Pacific Northwest Forest and Range Experiment Station, Portland, Oregon; Pacific Southwest Forest and Range Experiment Station, Berkeley, California; Region 8 (Southern Region), Atlanta, Georgia; Southern Forest Experiment Station, New Orleans, Louisiana; Northeastern Forest Experiment Station, Upper Darby, Pennsylvania; and Southeast Forest Experiment Station, Ashville, North Carolina.

The Agricultural Research Service has libraries at the National Animal Disease Laboratory, Ames, Iowa; Plum Island Animal Disease Laboratory, Greenport, Long Island, New York; and one each at the four Regional Research and Development Divisions located at Albany, California; New Orleans, Louisiana; Peoria, Illinois; and Wyndmoor, Pennsylvania.

A survey begun during FY 1964, of Library facilities and services available to USDA employees in field locations was completed in FY 1965. This study revealed that 12 per cent of these employees felt that inadequate library facilities or services seriously hampered their effectiveness as research scientists. Most of these employees, in ARS and FS, were located at the smaller, "isolated" facilities in a non-land-grant institution environment.

To better inform field personnel services available from the National Agricultural Library, brochures describing NAL's collections and services were supplied to ARS and FS. On-site visits were also made to 11 installations at 7 locations.

Program Coordination Services: Departmentwide regulations were issued providing policy and procedural rules for handling the management and dissemination of scientific and technical information. Also developed was a system for issuance of policies adopted by the Secretary upon recommendation of the Federal Council for Science and Technology.

A current inventory and report covering approximately 7,500 agreements entered into by the Department of Agriculture involving the international exchange of scientific and technical data and information was compiled and submitted to the Office of Science and Technology.

Informal agreements have been reached with some college and university libraries under which the state institutions will accept nationwide responsibility for collecting and servicing publications issued by that state. Problem areas are being investigated and formal cooperative agreements are being developed.

Department scientists were notified of bibliographic and reference services available to them from the Defense Documentation Center and from the British Commonwealth Agricultural Bureaux.

Data to be included in the National Referral Center's Social Science Directory was collected from USDA agencies, summarized, and submitted to the Center. This is important since the National Referral Center, located at the Library of Congress, is the national repository wherein all sources of scientific information are registered.

A total of 789 persons were given Library orientation through Program Coordination Services' programs. Two types of library orientation for USDA personnel were organized - one designed for the researcher himself and the other for clerical and stenographic personnel. Arrangements were also made to brief United States experts being sent overseas to participate in agricultural development programs under the auspices of AID. These briefings include an explanation of the National Agricultural Library services available to the experts and to foreign institutions in the countries to which they are assigned.

Volume of Work: The following table shows a comparison of the workload for fiscal year 1965 with the estimated workload for fiscal years 1966 and 1967. Figures include Bee Culture, Beltsville, and Law Branch statistics, as well as those of the Main Library.

Item	1965	1966	1967
	Actual	Estimated	Estimated
Titles Cataloged	14,714	15,500	16,500
New Catalog Cards Prepared	72,259	77,500	82,500
Loan of Books or Periodicals	240,866	241,000	275,000
Reference Questions Answered	114,702	120,000	153,000
Periodical issues Received (including unsolicited gifts)	508,965	500,000	500,000
Periodical Issues Added to Collection	241,193	260,000	285,000
Items Indexed in Bibliography of Agriculture	110,172	160,000	200,000
Items Indexed in Pesticides Index	11,594	32,000	35,000
Volumes Sent to Bindery	7,850	7,850	11,440
Purchase, Gift and Exchange Orders for Publications	8,472	12,000	13,200

(b) Library Facilities

Appropriation Act, 1966	\$7,000,000
Budget Estimate, 1967	- -
Decrease (Nonrecurring construction funds were appropriated in 1966) .	<u>-7,000,000</u>

PROJECT STATEMENT

Project	: 1965 :	1966 :	Decrease :	1967 :
		(Estimated):		(Estimated)
1. Plans and specifications	- - :	- - :	- - :	- - :
2. Construction of facilities	- - :	\$7,000,000 :	-\$7,000,000 :	- - :
Total available or estimate	- - :	7,000,000 :	-7,000,000(1):	- - :

The following statement reflects estimated obligations on the basis of available funds:

Project	: 1965 :	1966 :	Increase or:	1967 :
		(Estimated):	Decrease :	(Estimated)
1. Plans and specifications	\$10,035:	\$55,432:	-\$55,432:	- - :
2. Construction of facilities	- - :	7,000,000:	-7,000,000:	- - :
Total obligations	10,035:	7,055,432:	-7,055,432:	- - :
Unobligated balance, start of year ..	-115,356:	-105,321:	+55,432:	-\$49,889
Unobligated balance, end of year ..	105,321:	49,889:	- - :	49,889
Total available or estimate	- - :	7,000,000:	-7,000,000:	- - :

DECREASE

(1) The decrease of \$7,000,000 is due to elimination of the nonrecurring amount provided in 1966 for constructing and partially furnishing a new library building.

STATUS OF CONSTRUCTION PROJECT

The architectural firm engaged to provide plans and specifications for the new library facility will submit the final working drawings to the General Services Administration in January 1966. It is anticipated that final approval, submission of invitation to bid and awarding of the construction contract will be completed by late April 1966.

The site selected for the new library is at the Agricultural Research Center, Beltsville, Maryland where a significant amount of the Department's scientific work is conducted.

OFFICE OF MANAGEMENT SERVICES

Purpose Statement

The Office of Management Services provides consolidated management support services to certain agencies and offices of the Department. It was established by Secretary's Memorandum No. 1529, dated January 29, 1963, to provide greater economy and effectiveness in the rendering of management service through: improved utilization of manpower and management techniques; increased specialization of professional skills; and more extensive use of time-saving equipment.

The consolidated management support functions include budget and finance, personnel and related programs, administrative services, and information work. The organization structure of OMS is based upon these functions with operating divisions providing the services for the following agencies and offices: Office of the Secretary, Office of Budget and Finance, Office of Hearing Examiners, Office of Management Appraisal and Systems Development, Office of Personnel, Office of Plant and Operations, Rural Community Development Service, Office of Information, National Agricultural Library, Office of the General Counsel, Office of the Inspector General, Farmer Cooperative Service, Commodity Exchange Authority, Cooperative State Research Service, Economic Research Service, and Statistical Reporting Service.

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Office of Management Services:						
Salaries and expenses	\$2,483,014	281	\$2,542,000	283	\$2,687,000	297
Obligations under other USDA appropriations:						
Management support services related to:						
Departmentwide supply, duplicating, data processing, and other services carried out under the Working Capital Fund by agencies serviced by OMS	216,500	28	220,000	28	220,000	28
Special economic studies performed by the Economic Research Service for other agencies on a reimbursable basis	32,350	4	39,000	5	28,000	4
Special crop and livestock studies and data processing services performed by the Statistical Reporting Service for other agencies on a reimbursable basis	113,293	15	91,000	13	120,000	16
Reimbursements for supplies and duplicating services ...	62,341	- -	65,000	- -	65,000	- -
Miscellaneous reimbursable services	17,600	3	43,000	4	49,000	5
Total, Other USDA appropriations	442,084	50	458,000	50	482,000	53
Total, Agricultural Appropriation Bill	2,925,098	331	3,000,000	333	3,169,000	350
Other Funds:						
Miscellaneous reimbursable services for agencies other than those in USDA	75,038	8	84,000	8	87,000	9
Total, Office of Management Services:	3,000,136	339	3,084,000	341	3,256,000	359

Salaries and Expenses

Appropriation Act, 1966	\$2,483,000
Proposed supplemental, 1966, for increased pay costs	59,000
Base for 1967	2,542,000
Budget Estimate, 1967	2,687,000
Increase (for management support of increased agency programs and for additional pay costs pursuant to P.L. 89-301)	<u>+145,000</u>

PROJECT STATEMENT

Project	1965	1966 (estimated)	<u>Increases and Decreases</u>		1967 (estimated)
			Increased	Other	
			Pay Costs (P.L. 89-301)		
Management support activities	\$2,459,211	\$2,542,000	+\$20,000	+\$125,000 (1)	\$2,687,000
Unobligated balance:	23,803	- -	- -	- -	- -
Total increased pay:					
costs (P.L.89-301) (- -)		(59,000)	(+20,000)	(+3,000)	(82,000)
Total available or estimate	2,483,014	2,542,000	+20,000 (2)	+125,000	2,687,000

(1) An increase of \$125,000 for management services incident to expanding agencies' programs:

Need for Increase:

The 1967 budget estimates of the agencies serviced by the Office of Management Services involve a net increase of 424 man-years. These increased activities to be served are primarily in the Rural Community Development Service, Economic Research Service, Statistical Reporting Service, the Office of the Inspector General, and the National Agricultural Library. Based upon the established need for 9.3 man-days per man-year served, an increase of 18 man-years and \$160,000 will be needed to service the increased agencies' programs. However, in an effort to absorb added costs through improved productivity, the Office of Management Services is establishing as its goal a 1.3 percent gain in employee productivity and is reflecting a reduction of 4 man-years and \$35,000 in the estimated requirements for fiscal year 1967.

The following table reflects the basis for the Office of Management Services' estimated requirements for fiscal year 1967:

Basis for Computation

	<u>Man-Years</u>	<u>Cost</u>
Net increase in agency (man-years)	424	-
Man-days required by OMS to service a man-year	X 9.3	-
Total man-days required	3,943	-
Productive days per man-year	225	-
Man-years required by OMS for services	18	\$160,000
Less allowance for increased efficiency goal	-4	-35,000
Net increase requested	<u>14</u>	<u>125,000</u>

The requirement of 9.3 Office of Management Services man-days per agency man-year is based on a rigorous work measurement system used throughout the Office. The 9.3 man-days represent only the time of those employees involved in performing support functions directly affected by the number of agency personnel served. It excludes the offices of top staff as well as activities not directly affected by increases in man-years served, such as information activities.

As a direct result of improved efficiency and productivity in fiscal year 1965, the Office of Management Services has reduced the overall total number of man-days required to serve an agency man-year from 9.5 to 9.3, despite increased requirements for serving new program activities.

The functional groupings of the direct service activities comparing the man-days required to serve an average agency man-year for fiscal years 1964 and 1965, are listed below.

Functional Activities	<u>Average Man-days</u>	
	<u>Required to Serve Agency Man-year</u>	
	1964	1965
Budget and Management Analysis	1.25	1.28
Fiscal, Accounting and Reporting	2.11	2.45
Procurement, Property and Records Management	1.95	1.65
Employment, and Employee Services	1.19	1.09
Classification Management and Training .....	.77	.63
Miscellaneous Administrative Services	2.23	2.16
Total OMS man-days/agency man-year served .	9.50	9.26
Rounded	9.5	9.3

(2) An increase of \$20,000 to provide for the full-year costs in fiscal year 1967 of the increase pursuant to P.L. 89-301.

(An overall explanation of increases for Pay Act costs is included in the Preface to the Explanatory Notes in Volume 1.)

STATUS OF PROGRAM

The Office of Management Services was established by Secretary's Memorandum No. 1529, dated January 29, 1963, to provide consolidated management support services to 17 selected agencies and offices of the Department.

Support functions of OMS comprise administrative services, budget and finance, information work, personnel and related programs, and general management assistance. To the maximum extent possible, the costs of management support for the agency programs are financed by direct appropriations to OMS.

There are programs of work performed by the OMS supported agencies on either a reimbursable or advance basis. To the extent that an OMS-served program agency performs work for any other Government agency or private organization, and receives funds from those sources, the necessary management support costs are similarly financed from those same sources, by reimbursement from the OMS-served agency. Reimbursement for these services, documented in agreements with the affected agencies, are requested and performed on the basis of actual cost recovery.

Agencies and offices served present a widely varied pattern of programs, professional skills, organization, and geographical location. Programs cover a broad range of activities. These include physical and biological science research, economic research, gathering and reporting of statistics, investigation and evaluation, auditing, library maintenance, commodity futures markets surveillance, assistance to farmers' cooperatives and to general Departmental management. Professional skills include: physical and biological scientists, statisticians, lawyers, economists, hearing examiners, accountants, demographers, pathologists, home economists, sociologists, veterinarians, mathematicians, and management analysts. Organizational and geographical diversity is indicated by services provided to the Departmental policy staff offices in Washington, and to various field staffs at 170 separate locations.

OMS plays a positive role in management support of the agencies served. It designs and operates appropriate systems for financial, personnel, property and paper work management. It establishes and carries out balanced information programs for several of the agencies. It provides professional management advice to agency personnel. It relieves agency personnel of as much of the operational details of management services as possible, recognizing that the final management responsibility rests with the key program officials in the agencies served.

OMS is headed by a Director and staff, and is organized into four divisions for service to 17 agencies:

1. The Division of Administrative Services is responsible for providing such services as purchasing, contracting, property and space management, records systems, mail, messenger, duplicating, central files, administrative issuances, and related support work.
2. The Division of Budget and Finance is responsible for providing the budgetary and financial management services. These include preparation of

budgets, financial analysis, program reviews, work measurement, establishment and maintenance of fiscal records, billing and collecting, certification of payments and related systems work.

3. The Division of Information serves the Cooperative State Research Service, Economic Research Service, Statistical Reporting Service, and Farmer Cooperative Service. It advises the agencies on information policy, develops materials for release to the press, radio, and television media, provides ideas and designs for exhibits and motion pictures. It edits research manuscripts, stocks and distributes publications of the agencies, and arranges for printing publications and other materials for all agencies served.
4. The Division of Personnel is responsible for the full range of personnel management support. These include staff work and operating systems for employee recruitment, placement, promotion, training incentives and safety; performing organizational surveys and analyses; administering classification systems; and carrying out employee relations and services.

Selected Examples of Recent Progress:

Management of Office of Management Services:

1. Work Measurement Cost Reduction and Cost Avoidance. Based on operation of the work measurement system since fiscal 1963, a base period has been established against which work performance and capability is measured. This comparison of actual performance in relation to both the base period and the current year's projection of the work done is expressed and reported in a production index. For fiscal 1965, the overall index was 106.2. This means that the production expectancy was exceeded by more than 6%. Through this increase in productivity rates and by consolidation of services, OMS was able to provide increased management services to its client organizations at a cost which was \$132,000 less than fiscal 1964.

Reporting time allocations and work performed under the various units of the OMS work measurement system has been automated. The system provides for a daily port-a-punch card to be prepared by each employee. The cards are processed by ADP procedures with weekly and monthly summary reports provided to operating officials. The new system provides more accurate and timely evaluation of manpower utilization, work performance, and analysis of costs.

In addition to the savings of \$132,000 representing 22 man-years set forth above, OMS absorbed in fiscal year 1965 \$70,000 for Pay Act costs resulting from P.L. 88-426. OMS also avoided management support costs in the amount of \$104,000, equivalent to 12 man-years, by rendering the support services necessitated by agency increases of \$10,132,000 for Pesticide Research; Appalachia Regional Development; Upland Cotton Production Costs; McIntire-Stennis Forestry Research; Grants for Scientific Research; Grants for Research Facilities; and increased funds for Crop and Livestock Estimates. OMS aided its client agencies through obtaining

salvageable and usable equipment instead of new, resulting in a savings to them of \$108,000.

2. Consolidation of Accounting Systems. The consolidation of the individual agency obligation and accounting systems into a single OMS operating system was completed in 1965. The system is being further amended to provide for accrual accounting prescribed by P.L. 863, 84th Congress. With the single accounting system completed, the OMS accounting systems manual begun in 1964, is being revised to provide for accrual accounting and conversion to automation of certain source data. Procedures will be submitted to the Department and the General Accounting Office for consideration and approval.
3. Source Data Automation. In fiscal 1965 OMS initiated a program providing for the automation of Fiscal and Account Maintenance and Reporting Systems. Conversion is scheduled to be accomplished in three phases:

Phase I Conversion of the accounting and distribution ledgers to computer operation.

Phase II Conversion of the general accounts and subsidiary ledgers to computer operation.

Phase III Conversion of the Working Capital Fund and the remaining records to computer operation.

Savings are expected to accrue through the elimination of need for replacement of manual bookkeeping equipment, which avoids the planned annual replacement costs of approximately \$9,000. Upon the successful transition to the automated accounting system, approximately five positions can be used to improve services.

4. ADP Property Accountability System. Conversion of the property accountability records to the composite system for control of capitalized personal property through the use of electronic data processing equipment is nearing completion. Physical inventories and preparation of records for key punching has been completed for many of the agencies serviced by OMS. The system is expected to be in full operation by the end of the 1966 fiscal year.
5. Directives System. The single uniform directives system, established in fiscal year 1964 is now moving ahead rapidly. The system consists of a five-part manual grouped by subject matter which contains directives and procedures for all phases of the administrative management operations. It is maintained and expanded continually for use of all agencies and offices serviced by OMS. This system replaces the individual agency management support directives previously existent and establishes a uniform basis for OMS operations and service.
6. ADP Operation of Personnel and Payroll Data. Full automation of employment and payroll data has been completed. The procedure for orderly and timely processing and flow of documents between the Management Data Service Center in New Orleans and the OMS Personnel office in Washington and

the various field offices, enables maximum efficiency in the issuance of salary checks to employees. Emphasis is now being placed on assistance in the development of techniques for automation of skills inventory and performance evaluation of personnel under the Department's program for automation of these data.

7. Publications Storage and Disposition. All stocks of publications are being consolidated into one location releasing prime office space to the Department. An effective distribution has been established in the 1965 fiscal year resulting in the disposal of about 112 thousand copies of publications no longer in demand.

Significant Service to Agencies Served by OMS.

1. Automation of Mailing Lists. All mailing lists of the Department are to be converted to the ADP system. In cooperation with the Department and the OMS serviced agencies, assistance has been given in the conversion of about 50% of the mailing list names to punch cards. These lists will continue to be maintained manually until the conversion is completed.
2. Forms Management. The demand for assistance in forms design has steadily increased. Special attention has been given to reduce oversize forms and typewritten tables. These improvements have eliminated the need for several long-carriage typewriters, saved time and promoted efficiency of operation in the agencies served. Forms analysts attended special training classes for the analysis and correlation of forms with electronic data processing methods.
3. Records Management and Disposal. Through inspection, training and education by on-the-site workshops for field personnel the paperwork and records management program was continued, and 40 files systems designed and installed. Continued emphasis has been placed on the retirement and disposal of records. During fiscal 1965, the agencies served by OMS disposed of 2,700 cubic feet of files, equal to five percent of their total holdings.
4. Equipment Utilization. The President's recent directive emphasizing reduced equipment expenditures was incorporated in the OMS procurement procedures. In accordance with this policy agencies were encouraged to satisfy furniture and equipment needs from government surplus stocks. During fiscal 1965 OMS located and secured for its agencies \$108,000 of surplus equipment. These savings were returned to the agencies for program operations.
5. Publications Awards.
 - a. The Agricultural Science Review. A quarterly journal published for the Cooperative State Research Service, to exchange information among the various scientific disciplines, won a first prize award in the 1965 Government-wide contest sponsored by the Federal Editors Association. In a field of 52 competing publications from 21 bureaus and agencies, this journal was declared winner in the technical periodical category.

- b. The Farm Index. A popular periodical published monthly for the Economic Research Service, which reports the results of broad economic research programs to the agricultural trade and farm groups, won an award in 1965 for excellence in its class. This publication previously won first prize in the 1964 contest also sponsored by the Federal Editors Association.
- c. Two publications, General Report #120 Improving Management of Farm Cooperatives, published for Farmer Cooperative Service, and Graphic Summary of World Agriculture, for Economic Research Service, were selected as USDA entries for the National Contest of American Association of Agricultural Editors.
6. Other Publications Produced. Sixteen popular publications were published or in preparation during the year. Production was started on the documentary, Food for Thought, designed to promote marketing research. Eight educational reports on cooperatives were produced and monthly publication of the Agricultural Outlook Digest was started.
7. Exhibits Designed. One major exhibit and 2 smaller ones were designed for meetings of the American Institute of Cooperation. Six new exhibits were designed and 4 others were reworked for use in the USDA Cooperative Month Observance exhibition.
8. Writer Training. Three 5-week courses in technical report writing were conducted for research personnel. Sixty staff members from three agencies participated and technical editors have noted an improvement in writing quality of manuscripts subsequently submitted by those who took the courses. A series of small-group seminars is being conducted for Economic Research Service authors who have unique writing problems or difficult writing assignments. This new plan is already showing much promise as an in-service training method.
9. Movies Produced. Three movies, "Safe Handling of Livestock," (10 minutes), "This is Livestock Pooling," (5 minutes), and "Bulk Service an Easier Way," (4 minutes), were produced for Farmer Cooperative Service. Also produced was a sound slide series on opportunities for forestry and recreation cooperatives in the rural areas development program.
10. Equal Opportunity Program. OMS participated fully in the Department's Civil Rights Program. Twenty-three Negro colleges in nine states were visited by agency representatives in an effort to acquaint them with opportunities available in the Department.
11. Research Evaluation Guide. Completed Research Management Position Evaluation Guide for evaluating and classifying professional positions in the Cooperative State Research Service. The Guide embodies the "man-in-job" concept as uniquely related to the agency's responsibilities for administration of grant funds for research.
12. Safety Program. The Government's safety program was promoted by use of pamphlets, "Safety Themes of the Month," and selected "Safety Signals."

Two on-site safety inspections were completed and another started during fiscal 1965. Follow-up review of previously identified safety hazards were completed in five other offices. Agencies served by OMS will continue to be inspected at scheduled intervals.

13. Incentive and Honor Awards. Assistance was provided to the agencies in operation of their Incentive Awards Program. Over four hundred service awards were completed. A number of "Incentive Award Themes of the Month" bulletins were designed and issued, to stimulate and maintain interest in the suggestion and performance awards programs. Updating and issuing pertinent operating procedures and criteria in the suggestion, performance, and quality step increase phases of the awards program has provided more efficient and expeditious handling of suggestion and performance award nominations.
14. Management Advisory Assistance. Special advisory assistance has been rendered by key OMS personnel to program administrators in the Economic Research Service, Statistical Reporting Service, Commodity Exchange Authority, Office of the Inspector General, and the Cooperative State Research Service. These services included: participation in a comprehensive agency program evaluation; review of field office operations; membership in teams performing station reviews; assist agency in management-union negotiations.

GENERAL ADMINISTRATION

Purpose Statement

The Secretary of Agriculture, assisted by the Under Secretary, the Assistant Secretaries, and members of their immediate staff, directs and coordinates the work of the Department; formulates and develops policy; maintains relationships with agricultural organizations and others in the development of farm programs; and maintains liaison with the Executive Office of the President and with members of Congress on all matters pertaining to legislation and policy to insure effective performance of the agricultural program.

The following activities are also included under General Administration:

Budgetary and financial administration is carried on by the Office of Budget and Finance, the staff agency with responsibility for functions relating to overall administration of the budgetary, fiscal, and related affairs of the Department. It provides leadership and coordination of these activities throughout the Department, including the acquisition and distribution of funds, accounting, budgetary and financial reporting, organization and management phases of budget and fiscal activities, and related matters.

General operations are carried on by the Office of Plant and Operations, a staff agency exercising general staff management direction of (1) the housing of the Department's activities, including technical services on design and approval of related construction projects; telecommunications; the leasing of commercial space and matters concerned with the management of real property, (2) procurement of supplies, services, and construction, the awarding of contracts in amounts and for items not delegated to agencies; including assistance to Department agencies in administering set-asides for small business firms and for firms in labor surplus areas, (3) the equal employment opportunity under government contracts program, (4) supply and property activities, including storage, transportation, utilization, distribution, and accountability of personal property, (5) the Department motor vehicle fleet management program, and (6) records, directives, reports, and attendant paperwork activities.

Management appraisal and systems development functions are carried out by the Office of Management Appraisal and Systems Development. The Office is responsible for the general direction, leadership, and coordination in the Department of management appraisals, systems design, automatic data processing, operations research, and related management techniques. The office also operates the Department's Management Data Service Center in New Orleans, Louisiana.

Personnel administration is carried on by the Office of Personnel, the staff agency with responsibility for the personnel management program of the Department. Department-wide leadership, supervision, and coordination are provided in organization, classification and standards; salary and wage administration, Board of Examiners program and employment activities; personnel and records security; standards of employee conduct, discipline, and employee relations; employee appeals; employee development; health, safety and welfare; incentive awards; employee-management relations; personnel legislation; personnel research; employee fringe benefits; inter-group programs; and other personnel

activities. The operational phases of this activity have been substantially delegated to the agencies. The Office coordinates a review program to evaluate the effectiveness of agency personnel programs and to advise and counsel these officials in the exercise of their authorities within prescribed policies, rules and regulations of the Department and the Federal Government.

Regulatory hearings and decisions include the work of the Office of Hearing Examiners and of the Judicial Officer. The Hearing Examiners carry out the provisions of the Administrative Procedure Act relating to the holding of hearings (5 U.S.C. 1006, 1010). Hearings are held in connection with prescribing of new regulations and orders, and on disciplinary complaints filed by the Department, or on petitions filed by private parties asking relief from some action of the Department.

The Judicial Officer renders final administrative decisions in regulatory proceedings, and is responsible for preparing "Agriculture Decisions", a monthly publication containing decisions in connection with all quasi-judicial functions and administrative hearings of the Department.

The Hearing Clerk Unit, which operates under the Judicial Officer, is responsible for receiving, filing and acknowledging the receipt of complaints, petitions, answers, briefs, arguments, and other documents filed with the Department of Agriculture in connection with quasi-judicial and administrative proceedings under various regulatory laws administered by the Department.

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
General Administration:						
Salaries and Expenses	\$3,553,000	266	\$3,928,000	296	\$3,959,000	294
Deduct allotment to Office of the Inspector General	- -	- -	- 60,210	5	- -	- -
Net	3,553,000	266	3,867,790	291	3,959,000	294
Obligations under other USDA appropriations:						
Agricultural Research Service- for coordination of pesticide activities	212,918	1	211,900	4	211,900	4
For travel and other expenses of hearing examiners in con- ducting regulatory hearings .	18,800	- -	25,000	- -	25,000	- -
For miscellaneous reimbursable services	23,016	1	28,500	1	28,500	1
Health and other miscellaneous services for agencies of the Department	12,408	1	38,200	3	38,200	3
Working Capital Fund:						
Centralized supply and dupli- cating services	2,180,077	138	2,190,000	153	2,190,000	153
Centralized personnel and pay- rolling operations under MODE	3,719,749	258	3,659,300	268	3,661,300	268
Employee training programs ...	30,996	2	46,000	3	46,000	3
Total, Working Capital Fund	5,930,822	398	5,895,300	424	5,897,300	424
Total, other USDA Appropria- tions	6,197,964	401	6,198,900	432	6,200,900	432
Total, Agricultural Appropriation Bill	9,750,964	667	10,066,690	723	10,159,900	726
Other funds:						
Economic Development Administra- tion, Department of Commerce ..	4,540	- -	2,284	- -	- -	- -
Reimbursable details of personnel	18,895	1	- -	- -	- -	- -
Office of Emergency Planning:						
Program coordination and direction	52,929	4	71,600	4	77,000	4
Field defense coordination	179,052	6	204,000	10	221,500	10
Total, Office of Emergency Planning	231,981	10	275,600	14	298,500	14

(Continued on next page)

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Department of Defense-for						
travel under the Rural Civil						
Defense Program	13,750	- -	50,000	- -	- -	- -
International Agricultural						
Development Service-for se-						
curity evaluations of employees						
going abroad under the AID						
Program	6,800	- -	6,800	- -	6,800	- -
Forest Service-investigations						
of personnel under the Job						
Corps Program	- -	- -	10,000	- -	10,000	- -
Health and other miscellaneous						
services	12,710	- -	8,900	- -	8,900	- -
Total, other funds	288,576	11	353,584	14	324,200	14
Total, General Administration	10,039,640	673	10,420,274	737	10,484,100	740

(a) Salaries and Expenses

Appropriation Act, 1966	\$3,848,000
Proposed supplemental, 1966, for increased pay costs	80,000
Base for 1967	<u>3,928,000</u>
Budget Estimate, 1967	<u>3,959,000</u>
Increase (To provide for full year cost of pay increases pursuant to P. L. 89-301)	<u>+31,000</u>

PROJECT STATEMENT

Project	1965	1966 (estimated)	Increases		1967 (estimated)
			Increased Pay Costs (P.L.89-301):	Other	
1. Program and Policy Direction and Coordination:					
(a) Office of the Secretary and Under Secretary	\$495,251	\$812,220	+\$4,110	- -	\$816,330
(b) Assistant Secretaries	337,783	346,145	+1,190	- -	347,335
2. Budgetary and financial administration	750,755	829,460	+7,390	- -	836,850
3. General operations	745,273	a/773,960	+6,910	- -	a/780,870
4. Management appraisal and systems development ..	139,120	150,420	+1,285	- -	151,705
5. Personnel administration	759,767	779,510	+7,280	- -	786,790
6. Regulatory hearings and decisions	225,628	236,285	+2,835	- -	239,120
7. National Agricultural Advisory Commission ..	22,126	- -	- -	- -	- -
Unobligated balance	77,297	- -	- -	- -	- -
Total increased pay costs (P.L. 89-301)	(- -)	(80,000)	(+31,000)	- -	(111,000)
Total available or estimate	3,553,000	3,928,000	+31,000	- -	3,959,000

a/ Excludes \$48,110 in 1966 and \$67,750 in 1967 allocated from funds shown in project 1 (a) above for contract compliance activities.

(1) An increase of \$31,000 to provide for the full year costs in fiscal year 1967 of the pay increase pursuant to P.L. 89-301. (An over-all explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1.)

The appropriation for this item in 1965 included \$27,000 for expenses of the National Agricultural Advisory Commission. This commission has now been abolished. In 1966 and 1967 this amount has been shifted to the item "Budgetary and financial administration" to strengthen this work at the Departmental level. However, in the fiscal year 1966 these funds have been used, for the most part, for costs of the National Advisory Commission on Food and Fiber established by Executive Order 11256, dated November 4, 1965.

STATUS OF PROGRAM

1. Program and Policy Direction

The formulation and direction of policy and programs is carried out by the Secretary of Agriculture, the Under Secretary, the Assistant Secretaries, and Directors, staff advisors, and related supporting staff. Under the direction of the Secretary, the Immediate Office of the Secretary exercises broad executive responsibility for the development of national agricultural policies and the general management of the Department of Agriculture, within the framework of laws enacted by the Congress and regulations promulgated by the President. It coordinates the activities of the Department's constituent agencies into a unified agricultural program, designed to achieve, efficiently, effectively, and economically, the goals for American agriculture established by the Congress and the President. The Department's programs, in turn, are coordinated with the activities of other Government departments and agencies both in domestic and foreign affairs, to ensure consistency in policies and methods in governmental administration.

In fulfilling these responsibilities and obligations, the Immediate Office of the Secretary provides general leadership and direction to the Department's constituent agencies. Agricultural policies and plans are formulated and adapted to the complex changing conditions in the Nation's economy. The progress of agricultural programs is continuously evaluated to ensure that accomplishments are consistent with the Department's prescribed objectives and with established standards of sound management. Program and management problems with special significance and broad implications are given careful attention to assure their constructive resolution in a manner consistent with overall policy.

2. Budgetary and Financial Administration

The Office of Budget and Finance provides general direction, leadership and coordination of the budgetary and financial aspects of United States Department of Agriculture programs and activities. Major functional areas include the acquisition, distribution and control of funds; accounting policies and systems; budgetary, financial, and legislative reporting; and staff services related to financial administration throughout the Department. Examples follow of specific actions taken by this Office in its major functional areas during the fiscal year 1965.

- a. Budgetary Administration. This function involves the annual review and determination of fund requirements for the Department's programs. It is an integral part of the planning process essential to attain objectives meeting public needs. After the enactment of appropriations by Congress, continuing attention is directed to the apportionment and allotment of funds, special financing arrangements for cooperative undertakings and financial reports of program status. Developments which have involved new or modified procedures include the following:

Administrative Control Under Apportionments. In Budget and Finance Memorandum No. 593, of April 20, 1965, agencies of the Department were called upon to review their systems of obligation control,

established in accordance with the Antideficiency Act. Methods proposed for such administrative control under apportionments, and revision of the system adopted, are subject to review and approval by the Director of Finance.

International Transactions Affecting Balance of Payments. The Department's Administrative Regulations were amended (6 AR 237) to provide policy guidance on payments and receipts in international transactions and require periodic agency reports. This action followed instructions from the Bureau of the Budget designed to reduce payments and increase receipts so that net flow of dollars abroad would be curtailed to the extent feasible.

Manpower Controls. Limitations on employment, average salaries, and the number of positions in grades GS-14 and above, have been administered in the Department for the purpose of achieving more effective utilization of personnel. The Office developed procedures for administering such limitations by Department agencies, consistent with program needs, and at the same time, provide for necessary controls.

Departmental Computer Center in Washington. Representatives of the Office of Budget and Finance, the Office of Management Appraisal and Systems Development, and the Statistical Reporting Service conducted a joint cost-effectiveness study of alternative methods for meeting needs for Department activities located in the Washington area. The decision was made to purchase a large-scale computer for centralized use and to decentralize to user-agencies responsibility for systems analysis and programming functions.

- b. Accounting Systems Improvement. Consultation on accounting matters is a continuous staff service rendered to Department agencies. This involves also liaison with the General Accounting Office, the Bureau of the Budget, and the Treasury Department to advance financial management objectives throughout the Government. Technical evaluations are made of Department of Agriculture accounting and fiscal practices to promote improved services and effect operating economies. Projects are undertaken to resolve problems encountered in financial administration, including modifications or adaptations occasioned by automatic data processing applications.

The following activities were undertaken:

Financial Management Review. Agencies of the Department were requested to review and report on their accounting systems. The objective of such review was to identify (a) accounting practices not in compliance with instructions of the General Accounting Office, (b) uses made of accrued expenditure and cost data, and (c) prospective changes and scheduled revisions in agency accounting systems. Agencies of the Department are making substantial changes in their accounting systems to conform to General Accounting Office principles and standards.

Letter of Credit Procedures. Arrangements were made with the Treasury Department for approval of a proposal by the Consumer and Marketing Service whereby "letters of credit" may be used by State agencies in the School Lunch and special milk programs. The new method, in lieu of advance payments, defers withdrawals from the Treasury until funds are needed. This new procedure also helps to decrease Treasury borrowings and reduces interest costs.

Amended Regulations. There were 24 additions to and revisions of the Department's Administrative Regulations on matters of fiscal policy and procedure in the fiscal year 1965. Major amendments included the following:

- Provisions for (a) maintenance of accounts currently on an accrual basis or conversion to such basis monthly and (b) development of accounting systems which will produce cost data on the Department's programs.
- Delegation of authority to agency heads to approve determinations of fiscal liability against employees resulting from improper acts or fiscal irregularities.
- Strengthening procedural controls over foreign travel by employees, including consultants and non-Government persons.
- Delegation to the Office of Management Appraisal and Systems Development of liaison responsibilities with (a) the Civil Service Commission on retirement and insurance matters and (b) the Department of Labor on unemployment compensation, incident to the centralized payroll services provided by that Office.

- c. Budgetary and Financial Reporting. Financial data on Department operations are compiled for administrative use and serve also to provide information requested from numerous sources. Reports are made in response to requests from the Congress, farm organizations and trade associations, representatives of the press and other communications media, state officials, and the general public.

In addition to recurring reports submitted to the Budget Bureau, The Treasury Department, and other Federal agencies, special types of service in the past fiscal year included:

Grant and Payment Program Data. Compilation of statement showing expenditures under Department programs for grants-in-aid and other payments to States, payments to individuals, and including descriptive material on program operations.

Cost of Agricultural Programs. Statement providing data over a period of years on the realized cost of Department programs by categories such as those relating to farm income stabilization, foreign assistance, conservation of resources, credit, research, education, marketing, etc.

Descriptive Program Material. Compilation for publication of material describing program operations of Department agencies and including expenditure and employment data.

Geographic Data on Expenditures. Statements providing detailed information on funds used for Department activities at State, congressional district, and county levels, and involving, in some instances, a complete county distribution for funds used within a State.

- d. Legislative Reporting. The Department submits reports on proposed legislation, as requested, containing recommendations for consideration by the Congress. Similar reports are made on enrolled bills providing recommendations for the President. Staff assistance in developing Department policy and coordinating such reports involved annual work volume as shown below:

<u>Fiscal Year</u>	<u>Number of Legislative Reports</u>
1963	681
1964	409
1965	639

- e. Committee Management. Through its Administrative Regulations the Department prescribes policies and procedures, administered through the Office of Budget and Finance, for control of committee activities. At the end of fiscal year 1965 public advisory committees numbered 223, of which 49 were national committees and 174 were local or regional groups associated with field activities.

Interagency committees are groups on which two or more departments or independent agencies have representatives. Chairmanship responsibility for 34 such committees is exercised by USDA officials, with membership participation in 233 others. To assure that USDA representation on these interagency groups was warranted, the Office spearheaded a Department-wide review to evaluate current needs for participation on these committees.

3. General Operations.

The Office of Plant and Operations is responsible for the general direction, coordination and guidance of all phases of Department-wide programs in the fields of working space, real estate, supply and property management, records management and departmental service operations in the District of Columbia. The following represents some of the more significant developments and accomplishments of the Office:

- a. New Construction. The Office of Plant and Operations provides services in securing architect-engineers, negotiating design contracts, review of plans, inspection during and after completion, estimating and site acquisition. Most design contracts are let through the General Services Administration with assistance from this Office, agencies of the Department also negotiate such contracts.

Major projects which are now being designed, have a total value of \$49 million, \$4 million is now under construction and \$2 million worth of construction was completed in the past fiscal year.

In addition there are a large number of small construction projects valued at some \$9 million for the Forest Service and approximately \$5 million for Agricultural Research Service.

- b. Disposition of Property. Disposition of facilities either outmoded or in later stages of usefulness was continued. Removal of this property from inventory results in substantial savings in protection and maintenance costs. Under delegated authority, the Department disposed of \$689,711 worth of property. At the same time \$678,961 worth of surplus property was developed. The year end inventory of surplus property not yet disposed of was \$315,873. In addition the Department declared three parcels of property excess to the General Services Administration. This property comprised 168.9 acres and ten buildings which cost \$40,986.
- c. Acquisition of the Property. Acquisition was completed on 1,150 acres at Byron, Georgia, and 10,236 acres at Clay Center, Nebraska. During the year, eight other parcels of real property totaling 837.6 acres were acquired. Most of these properties were acquired without cost to the Department. The appraised value of the properties so acquired was \$2,796,576. The Department reimbursed other Government agencies a total of \$24,888. Thus, there was cost avoidance of a total net of \$2,771,688. Still pending at the end of the year was the request for acquisition of approximately 25,000 additional acres at Clay Center, Nebraska.
- d. Consolidated Housing. Steady progress was continued in accomplishing both State and County consolidations. Under this program offices serving each locality are brought together in order that there may be one focal point for farmers and ranchers. Much of this progress is being made as a result of the local initiative of the people at the County level. The latest survey reveals that there are now 1,387 counties in which offices are consolidated. There are now 29 State offices consolidated.
- e. District of Columbia Activities. District of Columbia space problems continue to occupy a large part of the Office of Plant and Operations' time. Reorganizations involving the Agricultural Research Service, the Agricultural Stabilization and Conservation Service, and the Consumer and Marketing Service, resulted in the need for space readjustments in the buildings occupied by the Department. Additional space was not made available to meet expanded personnel. Therefore, it was necessary that these personnel be accommodated in space already assigned to the Department by the General Services Administration. This has resulted in some overcrowding. Completion of the Computer Center in the subbasement of the South Building, which is scheduled for mid-fiscal year 1966, will provide some relief.

The Food and Drug Administration is moving a portion of its activities from the South Building to its new building. While this will

release space, most of such space has been used for laboratories and will have to be completely renovated before it is usable for Department offices. Thus, this space will not be available for use until fiscal year 1967.

- f. Real Property Reports. Based upon recurring reports of real property, the following real property statistics are of interest:

The Department has custody of 186,800,431 acres of land of which 160,491,040 acres are Public Domain. The acquired lands cost \$199,203,000; the cost valuation of improvements on all lands totaled \$1,525,237,000, consisting of 21,905 buildings, (containing 23,889,684 square feet of space) and roads, trails, bridges, land improvements, etc. The Department had under its control at the end of the fiscal year 8,394 leases which covered 3,069,673 square feet of space and 33,900 acres of land. The total rental for all leases was \$4,486,337. The House Committee on Government Operations has announced that it will not require an estimated current fair market value of Public Domain land this year. The estimated value at the end of fiscal year 1964 was \$6,565,083,000.

- g. Procurement, Contracting, Supply and Personal Property Management. Continuing attention was given to improvement of supply and personal property support activities. Areas were identified where management emphasis would contribute most to economy and efficiency, and better use of available man-power. The following are illustrative of management improvement efforts:

Servicing of Office Machines. Studies were completed to determine comparative costs for servicing of office machines under Federal Supply Service contracts vs. service on a call basis. These studies show that by having all work done on a call basis, estimated annual savings of \$250,000 would result. A Department directive was issued requiring that all service agreements be cancelled, and that future service be obtained on a call basis.

Procurement of Office Machines. Federal Supply Schedule contracts for typewriters, adding machines, and printing calculators, provide for substantial discounts on quantity purchases. Due to decentralized purchasing in some agencies, as well as limited requirements for machines in those agencies where purchasing is centralized, maximum discounts have not been realized. Arrangements were concluded with certain office machine contractors under which they will accept blanket orders or consolidated orders, on a Department-wide basis, allowing for maximum discounts during fiscal year 1966. It is expected that these arrangements will result in savings of about \$100,000.

Centralized Field Duplicating Service. The Office of Plant and Operations coordinated agency participation in thirteen studies

made by the General Services Administration to establish centralized duplicating service at field locations where there is a concentration of Government activities, primarily in new Federal buildings. It is expected that participation in these centralized facilities will result in some reduction in overhead costs, as well as better use of equipment and office space.

Utilization of Excess Property. The Department's excess property pool and the Area Operations Committees achieved utilization by the various agencies of personal property with an acquisition value of about \$776,499 that was declared excess by other Department agencies. The Office also coordinated the Departmentwide program of utilizing available excess personal property of other Federal agencies. Property thus obtained during fiscal year 1965 amounted to about \$33.3 million at original acquisition cost. Of this amount, about \$13.3 million was acquired by State Forestry agencies cooperating with the Forest Service under the Clark-McNary Act.

Supply Distribution. The Office of Plant and Operations coordinated agency activities in converting supply requisitioning procedures to General Service Administration's automated Federal Standard Requisitioning and Issue Procedure. This procedural change affects about 5,000 Department offices that order supplies directly from General Services Administration stores depots. It is expected that this change will be beneficial in terms of less paperwork and administrative costs, as well as an improvement in supply distribution generally.

Motor Vehicle Management. Department agencies operate over 29,000 Government-owned vehicles, exclusive of interagency motor pool vehicles and commercial rentals. Agency use and cost reports were reviewed as to (a) reasonableness of operating costs, (b) compliance with use standards meeting organizational and program requirements, and (c) fleet upgrading within established age/mileage standards. Deviations from average use and cost patterns were reviewed with the agencies so as to improve efficiency and economy of operations wherever possible.

Department motor vehicles standards and specification requirements were coordinated with the General Services Administration, to assure the obtaining of motor vehicles, cost considered, best suited for use of authorized programs. A total of about 4,700 vehicles were purchased during the year.

Seventeen interagency motor pool studies and determinations, involving 724 department vehicles were coordinated with the General Services Administration.

Use of Employee-Owned vs. Government-Owned Vehicles. Studies of the cost of employee-owned motor vehicles for official transportation, as compared to the cost of operating Government-owned vehicles, indicate that substantial savings are possible by use of Government-owned vehicles wherever feasible. Criteria were developed for agency use in determining whether (a) to require the use

of available Government-owned vehicles, or (b) to authorize the use of employee-owned vehicles at a rate equivalent to the cost of Government-owned vehicles. As soon as required Government-owned vehicles can be made available, it is expected that annual savings will approximate \$1,500,000.

- h. Contract Equal Employment Opportunity. The conduct of the equal employment opportunity program under Government contracts was centralized in a new Division having the responsibility for (a) conducting on-site reviews of contractor establishments, and (b) investigating and resolving complaint cases for referral to the newly created Office of Federal Contract Compliance, U.S. Department of Labor.

Compliance reviews were conducted of 65 contractor facilities and affirmative action programs developed therefrom. In addition, 13 complaint cases involving 33 individual complaints have been processed, including one in which 26 facilities of the respondent-contractor were visited to determine minority group utilization patterns and to assist the contractor in developing an effective affirmative action program.

- i. Procurement and Contract Activities. Five cases of alleged labor standards violations were investigated and formally reported to the Secretary of Labor.

Nine appeals from decisions by contracting officers under contracts awarded and administered in accordance with the Department Administrative Regulations were received and acted upon. This involved arranging for Boards of Contract Appeals, scheduling Board meetings, and coordinating the conduct of the appeals process.

Assistance was provided to the Foreign Agricultural Service in the negotiation of design and construction contracts for Departmental participation in International Trade Fairs held at London and Manchester, England; Luxembourg City, Luxembourg; Cologne, Germany; Milan and Verona, Italy; and Madrid, Spain.

- j. Reports Management. The Office of Plant and Operations has continued its efforts to improve reporting programs throughout the Department. A Departmental Reports Review, conducted during the fall of 1964 produced the following significant facts:

	<u>Number</u>	<u>Value</u>
Total number of reports prepared in the Department	2,483	\$14,145,306
Number of Agency reports improved during the review	149	200,551
Number of Agency reports eliminated during the review	126	258,834
Savings resulting from the review		459,385

As a result of the review, most staff offices and agencies have taken steps to achieve a positive Reports Management Program, including development of procedures to insure effective control over reports.

As a second phase of this review, agencies of the Department are now conducting a review of all reports originated by their field activities. This action will be completed by March 1, 1966. It is expected to produce additional savings and improve the reporting programs and procedures of Department activities below National level.

As a by-product of the review, this Office has initiated a semi-annual inventory of reports. Two have been issued thus far. The current inventory lists 138 reports required by Departmental Staff offices and other Federal Agencies, and 59 reports produced by the Management Data Service Center for Department agencies.

Source Data Automation. As a part of the cost reduction program, this Office is promoting wider use of Source Data Automation and other time-saving uses for mechanized office equipment. The objective is to simplify office procedure and to reduce the number of man-hours involved in program administration, through increased machine utilization.

As preliminary steps in the program several demonstrations of Source Data Automation and other mechanized items have been held and two handbooks covering Source Data Automation have been distributed.

Other programs involve:

- A survey of current Source Data Automation applications in the Department.

- An analysis of areas in which the use of Source Data Automation will be beneficial.

- The training of operating personnel in the benefits to be realized from Source Data Automation.

Forms Management. This Office has launched a Department-wide survey of agency forms. The survey will produce information on the size and effectiveness of the Department's Forms Management Program. It will provide information on the number of forms in use and the costs of our forms programs. Agencies have been asked to use this survey as an opportunity to update forms needing revision, and to eliminate any forms that are obsolete.

Other Forms Management Activities. Twenty-six new Department forms were issued and 31 Department forms were revised. Twenty-six Department forms were dropped as obsolete. Two hundred ninety-one Department forms were in use at the end of the calendar year 1965.

The Office of Plant and Operations served as a central reference point for Department and Standard forms and helped staff offices to draft or revise Department forms when help was needed. All new Department forms were reviewed before they were issued.

Records Management. Reviews were made of 20 records disposal schedules, composed of 596 series of agency records. Six records disposal lists, covering 61 series of records, were reviewed. Six offers of records were made to the National Archives and Records Service for 125 cubic feet of records.

Agencies were directed to remove records from the north half of the sixth Wing Records Depository in order to provide space for a distribution center for publications. About 2,900 square feet of floor space were involved.

A Plant and Operations Memorandum was issued to encourage agencies to reduce typing effort by using window envelopes.

The Office of Plant and Operations issued procedures to govern the purchase of filing cabinets under the Filing Cabinet Moratorium announced by the General Services Administration. In addition, standards were issued to control purchases of all specialized filing equipment.

The Office gave advice on the uses of microfilm and microfilming equipment approving three agency proposals for microfilming projects.

Improved Communication and Service to the Public. A survey is under way to determine the kinds of actions being taken or planned by USDA agencies to:

- Make Department programs more helpful and meaningful to the public;

- Improve Department facilities so that they will provide easier access and better service to the public; and

- Improve Department communications with the public.

The results of this survey will provide a blue-print for actions needed to meet the President's objectives to write more simply, clearly and responsively to the public and to deal with the public courteously, helpfully and courteously, helpfully and considerately at all times.

Writing Improvement. Paperwork Management Staff conducted four writing improvement workshops attended by 64 agency writers. A long range program was launched to publicize the writing improvement effort and, particularly, use of the Fog Index to appraise readability. Posters containing a supply of Fog Index forms were placed at the entrances to the five largest Department cafeterias. During the period, approximately 1,300 agency letters and directives were analyzed for

readability, and the results posted periodically in a "Box Score" section of the posters. The Box Scores were also published in four editions of the "USDA Employee News Bulletin." Three newspapers took note, during the year, of the Department's efforts to improve writing through use of Fog Index Readability analysis.

Mail and Messenger Operations. As a result of a Department Task Force study of mail and messenger operations, a reorganization of the functions has been effected. Procedural changes recommended are also being placed into effect, on a phased basis so as not to cause an adverse effect upon personnel involved. The target date for full implementation of the recommended actions is January 1, 1967. Full implementation will result in net savings, and more efficient Departmentwide mail and messenger service.

Post Office Zip Code Program. Directives were issued - and other steps taken - to assure agency adoption of initial ZIP Code procedures. As a result, ZIP Codes, when known, are being placed on nearly all outgoing mail. Most Departmental and agency forms have been revised to show or obtain required ZIP Codes. Several mailing lists are completely ZIP Coded; the remainder are in process.

Employee Suggestions. Paperwork Management Division received and evaluated 33 employee suggestions on various aspects of paperwork management. Nine suggestions were adopted. Twenty were rejected. Decisions on four are pending action by other Federal agencies to which they were referred.

4. Management Appraisal and Systems Development.

The Office of Management Appraisal and Systems Development provides general direction, leadership and coordination in the Department for management appraisals, systems design, automatic data processing, operations research, and related management techniques. The Office initiates appraisals of operating procedures, directs task force studies of systems having Department-wide implications and provides technical guidance and assistance to agency officials in planning and developing management policies, programs, and systems to achieve maximum effectiveness and economies. The Office also operates the Department's Management Data Service Center at New Orleans, which is responsible for the centralized payroll and related personnel and fiscal operations in the Department. The nature of the work of the Office is such that accomplishments and benefits for the most part occur in the agencies where the work is actually performed and not internally in the Office. Following are some of the accomplishments resulting in whole or part from Office efforts in the past year.

- a. Installation of the Departmental MODE Program. Installation of the Department's automated system of payrolling and related activities, known as the MODE System was completed during the past year. This system provides centralized payroll, personnel recordkeeping and related financial reporting services to all agencies of the Department. Payroll operations have been eliminated in eighty-seven offices. The records of all employees of the Department are now included in the system.

- b. Management Improvement Project System. For three years the Office of Management Appraisal and Systems Development has assisted in operating the Departmentwide Cost Reduction Program.
- c. Utilization of ADP in the Department. Last year, the Office provided staff assistance in five surveys of data processing needs within the Department. The surveys have been completed and resulted in 3 new automatic data processing installations and updating of equipment at 5 installations.
- d. Automation of National Agricultural Library.
 - 1. Task Force - Agricultural Biological Literature Exploitation. The survey on developing an automated system for the Library has been completed. The report of the Task Force has been published. There was such a demand for the report that a rerun was required. Based on recommendations of the Task Force, general systems design work on automation of the "Hierarchal Subject Index" to the Bibliography of Agriculture has been completed. The programming and testing is now in process. the automation of this index will make research information available on a timely basis.
 - 2. Pesticides Information. The Office of Managment Appraisal and Systems Development participated with the National Agricultural Library in outlining a central pesticides information system. Through this system urgently needed information will be available to researchers in this field. A contract for development of the system has been awarded.
- e. Mailing Lists. A system for automating the mailing lists in the Department has been designed by the Office of Management Appraisal and Systems Development. The new system which is in partial operation uses a computer to maintain mailing list records and to produce mailing labels.
- f. Assistance in Data Processing. For the fourth consecutive year, the Office of Management Appraisal and Systems Development accomplished the automatic data processing work required for this project. This year the effort was sponsored by the Senate Subcommittee on Administrative Practices and Procedures.
- g. Inter-Departmental Automatic Data Processing Effort. The Office of Management Appraisal and Systems Development coordinated Automatic Dating Processing efforts of USDA with their other Departments. During the past year, this included the use of a substantial number of computers operated by the other Departments, the exchange of records on magnetic tape, the establishment of compatibility of computer data, and the exchange of the results of improvements in Automatic Data Processing systems and experimental Automatic Data Processing applications.

5. Personnel Administration.

The Office of Personnel provides general liaison, direction, leadership, and coordination of the personnel management program of the Department. This program includes organization; classification and standards; salary and wage administration; board of examiners and employment; personnel and records security; standard of employee conduct; discipline, employee relations; appeals; employee development; health; safety and welfare; incentive awards; employee-management relations; legislation; personnel research; employee fringe benefits; intergroup programs; and other personnel activities. The Office promulgates departmental policies and procedures relating to these functions. The operational phases of this program have been substantially delegated to the agencies. A systematic review is conducted to coordinate this and to measure its effectiveness in serving the agencies' personnel management requirements. Among the significant developments are:

USDA's War on Waste - The initial attack in the Department's "War on Waste" began in July-August 1964. Changes were made in the management improvement reporting system to capture and identify the dollar value of each improvement effort.

During fiscal year 1964, the Department reported savings of \$95 million as a result of efforts to reduce costs and improve productivity. In fiscal year 1965, new savings of \$137.5 million were realized. This is an increase of \$42.5 million or 44.7% in the one-year period. Most of the 1965 savings will continue into 1966.

In April 1965 Vice President Humphrey presented special Presidential awards to nineteen outstanding cost-cutting individuals and teams of the Department. The savings from these nineteen achievements amounted to over \$5 million.

Implementation of Review Team Recommendations - A joint Bureau of the Budget-Civil Service Commission-Department of Agriculture Manpower and Management Review Team completed a broad-guaged study of three Department agencies just prior to the beginning of fiscal year 1965.

Recommendations covered major program and administrative areas in the Agricultural Research Service, Consumer and Marketing Service, and the Farmers Home Administration. A Departmental Task Force completed a comprehensive review of administrative support activities in the four Agricultural Research Service Field Administrative Division, the Washington management division, and major program headquarters in the field. A similar review of Consumer and Marketing Service activities is planned for early fiscal 1966.

As of the end of June, 1965, action was underway or completed on implementation of 18 of the 42 Review Team recommendations. Additional detailed studies were underway on 19 others, and action had been deferred on the remaining 5.

Work and Productivity Measurement - The objective of this program is to develop meaningful and useful measures, not only of the effort expended by individual employees and groups of employees, but also of the efficiency with which USDA organizations convert their resources into service to the public.

To this end, productivity-measurement studies have been started, covering (a) the meat grading activity in the Consumer and Marketing Service, (b) the major Forest Service land management functions, and (c) the Soil Conservation Service. In 1966, all agencies will be developing productivity-measurement systems.

A series of "Work Measurement Seminars" and "Productivity Measurement Seminars" was started to bring information on work and productivity measurement techniques and applications to all Department agencies. Special staff assistance to individual agencies was made available on a limited basis.

Equal Employment Opportunity - Executive Order 10925 issued by President Kennedy established government-wide policy on equal employment and established the present Equal Employment Opportunity Program.

This program was revised and strengthened by President Johnson's Executive Order 11246 issued September 24, 1965.

The Department of Agriculture has worked to implement this Presidential program directed toward achieving equal opportunity in recruitment, promotion, training, and assignment.

Employment Management Cooperation - Since the issuance of Executive Order No. 10988, almost one-third of the full time employees of the Department including Agricultural Stabilization and Conservation Service (ASCS) county employees, are in units recognized under this program.

As of June 30, 1965, the Department has extended 19 exclusive, 27 formal, and 9 informal recognitions. Approximately 22,000 employees of the Department are under the exclusive recognitions which entitle them to negotiate agreements. Nine basic agreements and thirty-five supplemental agreements have been negotiated with these exclusively recognized organizations. These agreements cover approximately 19,000 employees.

A systematic program established for obtaining the views of employee organizations on personnel provides that: All matters affecting employee organizations are cleared with the responsible employee-management official of the Department; changes in policies and regulations affecting working conditions are routed to employee organizations for their views before issuance, and on request, meetings are held to hear their views; special problems or suggestions are referred to the appropriate subject matter specialist or other Department official and followed up to insure adequate consideration.

Safety - A full-time Safety Officer was appointed in the Office of Personnel in December, 1961.

The Department's accomplishments since have proven the worth of this action. During fiscal years 1964-65, the record has been especially noteworthy.

The Civil Service Commission's inspections consistently reported the safety program to be well supported and seriously administered at almost all the field offices of the six major agencies inspected.

Other evidences of progress were:

Cost Reduction

The records of the Bureau of Employees' Compensation show the following Injury Cost Reduction values during calendar years 1962 and 1963, based on costs recorded for 1961:

Direct Medical and Compensation	\$1,179,706
Injury Severity (days chargeable)	<u>4,052,631</u>
Total Cost Reduction Value	5,232,337

President's Safety Award for 1964

The Department received the President's Safety Award for 1964. The judges' decision was based on a three-year average of improved injury record and on exhibit presentation of six elements of program effectiveness.

Results from MODE - The Office of Personnel has been very successful in the analysis and practical use of data supplied from MODE, the Department's automated system of payrolling and related activities, and other sources. During 1965 the Office worked steadily with agencies in reconciling manual and MODE statistics.

Approval was obtained from the Civil Service Commission and the Joint Committee on the Reduction of Nonessential Federal Expenditures to use the tabulation runs from Management Data Service Center (New Orleans) as the SF-113 report. This eliminated the time and effort to transcribe the data to the report form.

Two studies were developed resulting from special reports prepared under the MODE system. One was a study of Leave Use and Accumulation as of the End of Leave Year 1964. The second was a Manpower Outlook Study based primarily on data on the age and length of service of our employees broken down by occupations and grades.

A new personnel action form AD-350 was redesigned so as to expedite and simplify the entry of personnel data. The revised form will replace 5 other forms now in use. Entries will be reduced by about one half and a reduction in errors will also occur.

The skills inventory questionnaire to be used for the Management of Human Resources (MOHR) program was drafted. Input data includes education, work history, training, special skills, awards, foreign language and residence, job preference and availability, and other related information. Initial coverage is 45,000 administrative, technical and professional employees GS-5 and above. Remaining segments of the permanent employees population will be added as practical.

The review of Office of Personnel, Civil Service Commission and other outside agency personnel report requirements has resulted in savings of approximately \$24,000. Primary source of savings is the elimination of the annual training plan reports by agencies of the Department. Recommendations have been submitted for changes or elimination of an additional six reports. These recommendations are pending with agencies, outside USDA, that initiated the reports.

Plans for 1966 include:

- a. Complete the conversion of skills inventory data under the MODE system by the end of fiscal year 1966.
- b. Convert accident reporting information to a system compatible without other personnel data for analyses purposes and program development.
- c. Develop items, forms, procedures and program for annual medical information on incumbents in selected occupations and grades.

Inspections and Reviews - The Office of Personnel assumes the responsibility for coordinating personnel reviews and inspections within the Department. It also works out with the agency head cooperative arrangements for making sure that the information secured through the inspection, reviews, audits, etc., are fully utilized in determining the needs of the agency. It has been found that the combination of discussion of long range plans with the present status of personnel management has been profitable to the Office in assuming this responsibility.

Employee Appeals - During the fiscal year, 32 appeals were received in the Office of Personnel: 19 adverse action; 6 grievance; and 7 discrimination. Eight cases were carried over from fiscal year 1964. Of the total of 40 cases processed, 26 were decided, 8 were closed without a decision by the Director of Personnel (some corrective action was taken on 4 of these by the agencies concerned at the suggestion of this Office), and 6 cases remained outstanding as of June 30, 1965.

Government Employees Training Act (P.L. 85-504) - About 98% of all approvals for outside training have been delegated to the agencies. In addition, procedure has been set up permitting agencies to make direct contact for in-service training offered by other agencies.

The Office of Personnel now has direct responsibility for approving only that training that exceeds one calendar year, or involves foreign or free training, awards, scholarships or other special waivers. 150 such special requests were acted on by the Office during 1965.

An example of the use being made by the Department of this training authority is: Between July 1963 and July 1965, nine agencies sent 143 employees to 45 different universities and 8 other educational centers for one academic semester or more.

Exchange Legislation (P.L. 918) - The use of this legislation has been limited primarily because of the lack of authority on the part of the states to cooperate with the Department. Four states have passed enabling legislation and others are in the process. Exchanges to date are:

	<u>Total</u>	<u>October</u>		
		<u>1962</u>	<u>1963</u>	<u>1964</u>
Actions Taken	20	27	41	
Exchanges coming to USDA	8	10	16	
Exchanges going out of USDA	12	17	25	
USDA Agencies using authority	6	7	8	
State Agencies using authority	14	19	22	

In view of the interest in the Joint Committee on Education for Government Service and the need for special scientific knowledge and skills in the states as well as the Department, it is expected that this authority will be of real benefit to the states and to this Department.

Orientation and Special Sessions for Foreign Students and Officials - The Office of Personnel has the responsibility for giving direction to those foreign students and officials who are referred to it for a study of personnel administration.

Incentive Awards - The Office gives central direction to and administers the effective use of the Federal Incentive Awards Program in the Department. Nine reports were prepared for the Secretary's Office and the Civil Service Commission on the Awards Program.

In the administration of the Secretary's Honor Awards Program, the Office of Personnel developed instructions and criteria for submitting nominations; recommended and arranged for the appointment of members of Distinguished and Superior Service Committees; reviewed 181 agency nominations, of which 84 were awarded Superior Service and 9 Distinguished Service Awards by the Secretary; and made all arrangements for the Honor Awards Ceremony conducted on May 19.

In addition to furnishing the agencies advice and counsel on the handling of awards for suggestions, performance, special acts, etc., 101 employee suggestions and 34 cash awards were processed by the Office of Personnel.

Agencies submitted 53 nominations to the Office for Presidential Citation Awards for Economy Achievement. Thirteen procedures were issued for non-USDA awards; 37 nominations were processed.

Health - The Office of Personnel directs the employee health program for the Department. Four units are maintained in the Washington metropolitan area. One in Washington, D.C. and two in Beltsville, Maryland, have been in operation since the program was first established in the Department in 1948. In 1963 a fourth unit was added at the newly constructed Federal Center Building in Hyattsville, Maryland. The Department agencies housed in this building reimburse the Office of Personnel for health services rendered. Provision of adequate medical attention to all 4 of these locations has severely taxed the present medical staff and the Office of Personnel is employing an additional medical officer and nurse in 1966. Their salaries will be paid by the agencies serviced, under a reimbursable arrangement between the Office of Personnel and these agencies.

The Department is currently in the process of reevaluating its overall employee health program in connection with Budget Bureau circular A-72, issued June 18, 1965. This circular establishes a new policy for Federal employee health programs and encourages all executive agencies to meet the new criteria. While this health program reevaluation is continuing, and throughout fiscal year 1967, the Office of Personnel will continue to finance its additional medical officer through the reimbursable arrangement with agencies serviced.

During 1965 the following service was provided:

- a. Employee visits to the Department's health units exceeded 37,000. These included on-the-job illnesses and accidents, medications, treatments and rest periods as prescribed by the employees' doctors, but not the immunization or screening programs.
- b. Approximately 6,000 immunizations were administered. These included the influenza shot program plus other shots given for overseas travelers and high hazard employees.

- c. Screening examinations for glaucoma, tuberculosis, diabetes and hearing loss were performed on about 12,000 persons. Those with abnormal findings (less than 1%), were sent to their personal doctors for further tests.
- d. Educational films with commentary and question answering were shown to about 5,000 employees.

Examinations: About 400 complete individual examinations for disability retirement, overseas travelers, fitness for duty, and individual employees were performed by the Medical Officer.

Twelve blood donor programs yielded 2,300 pints of blood. Agriculture compared very favorable with other agencies and each employee was assured protection for his immediate family.

Consultations were given to Field Health Units located across the country. Liaison with U.S. Public Health Units were continued, including efforts to get new units established in four metropolitan areas.

Over 3,000 personnel, supervisor, and individual consultations were held with the Medical Officer, in and out of Washington on job-related and personal problems.

Monitoring Examinations - Hazardous Duty: Several hundred blood and urine tests were performed both on Washington and field employees to safeguard employees working with pesticides and other chemicals.

Civil Service Examinations - The Department's Board of Examiners system was reorganized in 1964, to provide an examination program to meet the needs of the agencies. It is now fully operational.

The Central Board of U.S. Civil Service Examiners for the Department of Agriculture processed 5,130 applications under open examinations covering 200 types of positions and grade levels, under 11 examination announcements. There were 771 employments made from the registers and 71 authorizations were issued to permit temporary appointments pending the establishment of registers.

Office of Personnel officials participated in Inter-Agency conferences to develop examining approaches for positions common to a number of Departments and agencies.

College Recruitment - Recruitment materials distributed included 1,200 copies of the all-agency employment brochure, "Profiles," and 350 copies of the Department's 1965 Honor Awards Ceremony program sent to deans, presidents, and placement directors of Land Grant and other universities.

The Department participated in Inter-Departmental Planning Committee conferences to improve the overall image of the Federal service at educational institutions.

Continued efforts will be made during 1966 to anticipate the staffing needs of the Department and to attract, through publications and other means, the best qualified under-graduate and post-graduate level college students.

Recruitment - Summer Student Employment - The Department's objective of maximum use of summer student employment for developing interest in Department careers was met by the employment of 9,166 college and high school students during the summer of 1964. Of this number 324 from 34 states worked in the Washington, D.C. metropolitan area. In the Washington Action for Youth Program, there were 80 high school students given summer jobs.

Overall job needs were developed for the summer of 1965. Applicants were screened and referred as appropriate for employment consideration.

Central Interview and Referral - By using current information on agency needs, 878 qualified candidates out of 3,075 walk-ins were referred to agency personnel offices for employment. Approximately 12,000 telephone inquiries were received on employment opportunities in the Department. Over 1,700 mailings containing printed recruitment material were sent to placement counselors and the general public in response to requests.

An average of 15 contacts per day were made with agency employment officers on their current employment needs. Also, information on recruitment and placement needs was exchanged at the Inter-Departmental Placement committee, with the Civil Service Commission and the U.S. Employment Service.

Placement - The Office explored opportunities and made appropriate referrals of mentally retarded candidates. Twelve were employed during the fiscal year. Currently, 23 are on agency rolls under this program. It is planned that during 1966, increased efforts will be made to increase the opportunities for the employment of the mentally retarded.

The long established program of placing physically handicapped people continues to grow in the Department. During calendar year 1964, approximately 200 handicapped individuals were placed.

Received, reviewed, and distributed to agencies information concerning returning Peace Corpsmen. This resulted in 44 placements.

Regulations and Policies - During 1965, 230 personnel letters and bulletins and amendments to the regulations were issued. By way of comparison with the system prior to the introduction of slip sheeting, in 1963, 330 such issuances were handled. Slip sheeting has had a beneficial effect in reducing the number of issuances necessary to implement Civil Service Commission regulations.

Security and Employee Conduct - the Office of Personnel administers the Departmental program which insure:

- a. The employment of persons who are loyal to the United States, and whose employment is consistent with the interests of National Security;
- b. That the persons employed meet the prescribed standards of suitability and conduct themselves in a manner which reflects to the credit of the Federal Service;
- c. That the activities of employees do not constitute a conflict of interest with their official duties; and
- d. That classified defense information is afforded the protection required by Executive Order 10501.

During 1965 the level of activity within the Office of Personnel remained relatively constant, but there were shifts in specific work areas. For example, the total number of employees holding security clearances increased by 305 during the past year. The number of investigative reports received for evaluations also increased. This is due primarily to increasing Department participation in Agency for International Development and Job Corps programs.

The further delegation to agency employment officers of authority to take disciplinary action has reduced the number of cases handled by this Office. Those handled were of unusually complex nature. Owing to higher standards of performance by the agencies, the post audit of disciplinary actions was reduced to those where a penalty in excess of 30 days suspension is contemplated. Improved compliance was found to exist and this was borne out by the statistical data compiled by the Civil Service Commission which showed the Department record to be better than the Government-wide average. The agencies continue to consult with the Office of Personnel on unusual and complex cases.

Summary of Workload
Item

Fiscal Year
1965

Total Security Clearances issued	845
Clearance Certifications to other agencies	1540
Foreign Travel & International Conferences	360
Prior Approvals	728
Security Considerations - FBI	185
FBI Name Checks	861
Advisory Committee Name Checks	840
Office of the Inspector General Reports Evaluated	200

Position Management - Instructions from the Bureau of the Budget and the Civil Service Commission, including recommendations contained in Commission Inspection Reports, have emphasized the need for effective position controls and for tight management of individual work assignments and position structures throughout the Government. The Budget Bureau's instructions called for the establishment in each agency of a position management system. The broad objective of position management is to coordinate organization analysis, classification, and pay administration work so as to serve the efficient ends of an organization, consistent with its management goals. Department regulations requiring each agency to establish a position management system and to issue written procedures governing operation of the system were issued by the Office of Personnel in October 1964.

By the end of 1965, all agencies had developed at least tentative plans for installing and operating their own position management programs. This Office will review the progress that agencies make in installing these programs throughout 1966. The Office of Personnel plans to evaluate position management action by conducting on-site audits of the work planning and classification activities at selected locations.

Some of the control aspects of position management were in use by the end of 1965, including a quarterly trend report on average grades - the Department's so-called "average grade index" - which shows deviations from the normal grade pattern resulting from employment and position changes in each agency. Refinements in this index will help identify organizational levels where significant deviation from established grade patterns occur. Agencies are required to justify any significant deviation. The Office compiles monthly reports on positions in grades GS-14 and above, or their equivalent.

Occupational Standards - Coordination of occupational standards work involved the Office of Personnel in review and developments of so-called "single agency" standards for positions in: the Forestry Series; Federal Crop Insurance Series; Farm Management Loan Series; Agricultural Program Specialist Series; and Agricultural Engineering Series during the fiscal year. The Office received 24 standards drafts for review and comment from the Civil Service Commission during the same period. These projects affected some 18,000 employees in both Classification Act and Wage Board positions throughout the country.

6. Regulatory Hearings and Decisions.

This activity includes the work of the Office of Hearing Examiners and the function of the Judicial Officer and his staff.

- a. The Office of Hearing Examiners holds hearings, makes reports, recommends decisions and performs such related duties as may be required by the Administrative Procedures Act and the statutory provisions, regulations, and rules of practice applicable to matters under their jurisdiction. A comparison of the number of hearings held by the Hearing examiners under the various acts is shown in the following table:

	Fiscal Years					
	1960	1961	1962	1963	1964	1965
Agricultural Marketing						
Agreement Act, 1937	74	65	82	65	40	74
Commodity Exchange Act	-	2	3	1	3	5
Packers and Stockyard Act	14	6	14	9	20	12
Perishable Agricultural						
Commodities Act	2	-	3	8	5	3
Sugar Act	2	1	2	2	1	6
Anti-Hog Cholera Act	-	1	-	-	-	1
Agricultural Marketing Act, 1964.	1	1	2	-	5	-
Forest Service Appeals	5	4	1	4	2	2
Forest Management Act	-	-	-	-	-	2
United States Grain Standards Act	-	-	-	-	4	1
Poultry Products Inspection Act..	-	-	-	-	1	-
Federal Insecticide, Fungicide,						
and Rodenticide Act	-	-	-	-	3	-
Commodity Credit Charter Act	-	-	-	-	3	-
	<u>98</u>	<u>80</u>	<u>107</u>	<u>89</u>	<u>87</u>	<u>106</u>

Agricultural Marketing Agreement Act of 1937. There were almost twice as many hearings under this Act as were held in the preceding fiscal year. Most of these were rulemaking proceedings conducted in various parts of the United States, relating to proposed amendment to existing marketing orders regulating the handling of milk in various marketing areas. A substantial number of these were joint hearings involving problems affecting two or more marketing areas, and these hearings were held at a point or points convenient to the producers and handlers in the different areas. There were also a number of hearings under this Act relating to amendments of existing marketing agreements and orders or to the issuance of new marketing agreements and orders for commodities other than milk. One series of such hearings related to a proposed new marketing agreement and order for cherries grown in eight eastern and mid-western States, and sessions of this hearing were held in four cities within these areas. Other such hearings involved proposed new marketing agreements and orders covering peanuts, hops, pears, and olives.

A number of hearings were also held in proceedings under section 8c(15)(A) of the Agricultural Marketing Agreement Act, on petitions filed by handlers seeking exemption or relief from obligations alleged by such handlers to have been improperly imposed upon them by marketing orders issued under the Act. Such claims seek refunds or credits of substantial sums of money and customarily present unusual legal problems concerning the interpretation of order provision and their application in particular situations.

Commodity Exchange Act. Proceedings instituted under the Commodity Exchange Act continue to present difficult legal problems in the field of futures trading. In an important hearing under this Act, the Government concluded its evidence against one of the world's largest grain merchandising firms on charges of price manipulation in wheat transactions involving several million dollars. Additional sessions

of this hearing may be held. A proceeding under this Act on charges of excessive speculation against one of the nation's largest cotton traders was resolved by a consent order after a pre-hearing conference in which the parties were required to state their positions and contentions on the issues and to describe the evidence which they intended to submit. Such settlement avoided the time and expense of what would otherwise have been a long hearing.

Packers and Stockyards Act. Several hearings on charges of alleged violations of this Act were held during the year. Two of these present substantial issues the determination of which will be of primary importance to the packing and poultry industries. One such proceeding concerns charges of an unfair practice under the Act by one of the nation's largest packers, based upon coupon refunds to customers which are alleged to have reduced prices below the cost of production. In view of the widespread use of this practice in retail merchandising, the decision in this proceeding will probably be of national interest.

The other important proceeding under this Act concerns boycotting charges against several large poultry dealers and handlers. It is expected that the outcome of this proceeding will eventually determine the extent of the Secretary's jurisdiction over live poultry dealers and handlers under amendments to the Act.

Other important oral hearings held during this fiscal year involved (a) a proposal that the Secretary establish a Sustained Yield Unit in the Pacific Northwest under the Sustained Yield Forest Management Act in order to stabilize the local economies of certain communities in the Pacific Northwest by requiring that timber harvested in thirteen national forests in this area be subject to local manufacture and not available for export; (b) requests for the extension of inspection and price support services to additional tobacco markets; (c) allotment of sugar quotas under the Sugar Act; and (d) the proposed denial of Federal meat grading services for violation of the Agricultural Marketing Act of 1946.

- b. The Judicial Officer serves as final deciding officer, in place of the Secretary, in regulatory proceedings of a quasi-judicial nature where the applicable statute requires a hearing. These include cases in which a hearing examiner files a recommended decision and also reparation proceedings under the Perishable Agricultural Commodities Act and the Packers and Stockyards Act which are not subject to the hearing examiner provisions of the Administrative Procedure Act. Exceptions to a hearing examiner's recommendations may be filed by any party to the proceeding and oral argument is available before the Judicial Officer before the preparation and issuance of the final decision and order.

The Judicial Officer acts directly without reference to a hearing examiner upon applications to dismiss petitions, applications for interim relief by petitioning handlers (Section 8c(15)(A) of the Agricultural Marketing Agreement Act), and upon stipulations for consent orders (Packers and Stockyards Act, the Commodity Exchange

Act and the Perishable Agricultural Commodities Act). The Judicial Officer also rules directly upon matters arising in proceedings such as motions to dismiss. They are certified by the hearing examiners without recommendation.

A comparison of the number of decision and orders issued under the various acts is as follows:

<u>Laws Involved</u>	<u>Fiscal Years</u>				
	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Agricultural Marketing					
Agreement Act, 1937	28	18	25	40	30
Commodity Exchange Act	10	5	12	11	16
Grain Standards Act	-	-	-	-	1
Packers and Stockyards Act	135	190	241	244	320
Perishable Agricultural					
Commodities Act	<u>483</u>	<u>404</u>	<u>378</u>	<u>399</u>	<u>406</u>
	<u>656</u>	<u>617</u>	<u>656</u>	<u>694</u>	<u>773</u>

Agricultural Marketing Agreement Act. Decisions issued under the Agricultural Marketing Agreement Act of 1937, as amended, involved highly technical and intricate questions of the construction, interpretation, and validity of orders regulating the handling of milk, such as In re Bay State Ice Cream Company, In re Glen & Mohawk Milk Association, Inc., In re Lyles Dairy Products and In re Adamson Dairy, Inc. Some of the issues involved in these proceedings were the validity of a handler's deductions from payments to producers of the minimum prices established under an order of voluntary "contributions" from such producers; consequences flowing from the return of packaged fluid milk, cream and other dairy products to a regulated pool plant; the validity of compensatory payments assessed on skim milk powder utilized in fluid milk products; handler status under an order; the application of a "statute of limitations" to obligations imposed under milk orders; and the effect of Lehigh Valley Cooperative Farmers, Inc. v. United States, 370 U.S. 76 (1962) on certain obligations imposed upon handlers under orders issued pursuant to the Act. In this field year, for the first time in some years, fruit and vegetable orders issued under the Act were contested. The validity of and authority for size regulations limiting the handling of carrots grown in certain designated counties of South Texas and of peaches grown in the State of Georgia were challenged in In re Griffin & Brand of McAllen, Inc., and In re J.W. Joyce et al., respectively.

Packers and Stockyards Act. There were several cases of unusual interest and importance decided under the Packers and Stockyards Act. In re W.I. Bowman, d/b/a/ Capital Stock Yards, Camden Stock Yards, and Tri-County Stock Yards involved important issues in the administration of the Act including the financial requirements thereof, the misuse of shippers' proceeds by a market agency, failure to make a full disclosure of facts by a market agency

to its principals and failure to charge scheduled fees or commissions. Another proceeding under the Act, In re First National Stores, Inc., involved the rejection by the operator of a chain of retail food stores of 4 lots of frozen turkeys. It was found that the activities of the chain store operator made it a packer subject to the Act, but that where the packer had a sincere, if perhaps mistaken, belief that the contract of sale did not require acceptance of the turkeys, the rejection thereof is not violative of the Act. In addition, a consent cease and desist order was issued in In re Armour and Company and In re John Morrell & Co. in connection with sales promotion programs in which gifts are given by a packer to retail food store customers or their employees for personal use based upon the volume of processed meat products purchased from the packer. The issuance of orders under the Act against the officers and employees of packers personally was considered in In re R.J. & C.W. Fletcher, Inc. d/b/a Fletcher Bros. Packing Co., and R.J. Fletcher and C.W. Fletcher and In re Delrich Meat Packers, Inc., and Delbert Nejmanowski and the more usual types of violations of the Act, such as false weighing of livestock, were dealt with in cases such as In re Empire Livestock Marketing Cooperative, Inc.

Commodity Exchange Act. Under the Commodity Exchange Act, technical questions of great importance such as noncompetitive trades and the under segregation and commingling of customers' funds were dealt with in In re David Laiken and In re Harry Kay (also known as Aaron D. Schlechter), and Harry Kay & Associates, Inc. The disqualification of a referee was raised in In re Cargill, Incorporated, Erwin E. Kelm, H. Robert Diercks, Walter B. Saunders, and Benjamin S. Jaffray.

Perishable Agricultural Commodities Act. Under the Perishable Agricultural Commodities Act, 1930, as amended, license suspension and the denial of a license for a specified period were ordered in companion cases involving serious violations of the Act and breaches of fiduciary duty by a commission merchant to its shippers or consignees and joint account partners by many failures to account properly and to pay the entire proceeds received on a sale of the consignees' produce in In re Mandell, Spector, Rudolph Co. and In re William B. Mandell Company.

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(b) Working Capital Fund, Department of Agriculture

The Working Capital Fund is an operating fund without fiscal year limitation established by an appropriation of \$400,000 in the 1944 Agricultural Appropriation Act, (P.L. 78-129). This fund finances by advances or reimbursements the costs of certain centralized service operations in the Department of Agriculture. In accordance with the statute, activities are financed under the Fund only when approved by the Bureau of the Budget.

Financial status of the Working Capital Fund is as follows:

	June 30, 1965 <u>(Actual)</u>	June 30, 1966 <u>(Estimate)</u>	June 30, 1967 <u>(Estimate)</u>
<u>Assets:</u>			
Cash	\$520,223	\$423,304	\$369,304
Accounts receivable	1,006,971	1,074,946	1,142,946
Office and printing supplies, and photocopy materials on hand	287,044	290,905	290,905
Reproduction and other equipment (net after depreciation)	469,284	499,413	485,413
Other assets	65,850	61,989	61,989
Total assets	<u>2,349,372</u>	<u>2,350,557</u>	<u>2,350,557</u>
<u>Liabilities</u>	<u>954,440</u>	<u>954,425</u>	<u>954,425</u>
<u>Government Equity:</u>			
Initial appropriation (1944 Agri- cultural Appropriation Act)	400,000	400,000	400,000
Supplies and equipment transferred by USDA agencies	559,501	559,501	559,501
Retained earnings	435,431	436,631	436,631
Total Government Equity	<u>1,394,932</u>	<u>1,396,132</u>	<u>1,396,132</u>

Obligations by activities for the central services financed through the Working Capital Fund are as follows:

	1965 <u>(Actual)</u>	1966 <u>(Estimate)</u>	1967 <u>(Estimate)</u>
1. <u>Supply and other central service programs:</u>			
Central supply, reproduction and miscellaneous services	\$2,166,376	\$2,172,000	\$2,172,000
Civil defense and defense mobili- zation programs	13,701	18,000	18,000
Interagency management develop- ment programs	30,996	46,000	46,000
Subtotal	<u>2,211,073</u>	<u>2,236,000</u>	<u>2,236,000</u>

(Continued on next page)

	1965 (Actual)	1966 (Estimate)	1967 (Estimate)
2. <u>Photocopy and microfilming services</u>	41,492	45,929	44,000
3. <u>Motion picture, photographic and other visual information services program:</u>			
Motion picture, photographic arts and graphics, and exhibits services	1,716,039	1,720,000	1,720,000
Publication of Department periodical "USDA"	27,103	30,000	30,000
Subtotal	<u>1,743,142</u>	<u>1,750,000</u>	<u>1,750,000</u>
4. <u>Automatic data processing services program</u> -- Centralized automatic data processing system for payroll, personnel, financing, and other services	<u>3,719,749</u>	<u>3,659,300</u>	<u>3,661,300</u>
Total obligations	<u>7,715,456</u>	<u>7,691,229</u>	<u>7,691,300</u>

Responsibility for providing the central services financed through the Fund has been assigned as follows:

Office of Plant and Operations

Central supply services, including stationery, supplies, equipment, forms and local laundry service.

Duplicating services, including printing and reproduction, binding, addressing and mailing, and related services.

Communications services, including local telephone and switchboard service, leased wire service, interdepartmental dial system service, and telegraphic and teletype services.

Assistant to the Secretary for Defense Mobilization Planning

Provides administrative services and communication facilities for the Department's relocation headquarters, periodic civil defense exercises, and conduct of survival training courses.

Office of Personnel

Conduct of Interagency Management Development Programs, including the Seminars in Middle Management and Seminars in Executive Development Programs.

(Continued on next page)

Supplying photocopy and microfilm reproductions of library materials.

Office of Information

Motion and sound picture services.

Still photography services.

Arts and graphics.

Exhibits.

Publication of Departmental employee periodical "USDA".

Office of Management Appraisal and Systems Development

Development and operation of Departmentwide automatic data processing services for payrolling, personnel reporting, and related financial accounting and reporting operations (MODE).

PASSENGER MOTOR VEHICLES

As of December 31, 1965, only one Department-owned automobile was operated in the District of Columbia. This automobile is used by the Secretary and his staff. It is a 1965 model and the budget does not propose to replace it in 1967. Should replacement be necessary, however, a new automobile would be purchased under the general limitations included in the 1967 appropriation.

Besides owning one automobile, the Department rents four vehicles for use on official business. One is used by the Secretary of Agriculture, and the others by the Under Secretary, the assistant Secretaries, and members of their immediate staffs, as well as the heads and other responsible officials of Departmental staff offices.

RURAL ELECTRIFICATION ADMINISTRATION

Purpose Statement

The Rural Electrification Administration was established by Executive Order 7037 of May 11, 1935, to make loans for extension of central station electric service to unserved rural people. It was continued by the Rural Electrification Act of May 20, 1936, and became part of the Department of Agriculture on July 1, 1939, under Reorganization Plan II. On October 28, 1949, Public Law 423 amended the Act to authorize loans for furnishing and improving rural telephone service.

Electric and telephone construction loans are self-liquidating within a period not to exceed 35 years at 2% interest. Loans for wiring premises and the acquisition and installation of electrical and plumbing appliances and equipment including electrically powered machinery are also made at 2% interest but for shorter periods.

Electrification loans are made primarily to cooperative associations formed solely for the purpose of supplying electricity in rural areas. Borrowers are encouraged to expeditiously extend service to remaining unserved farms and to operate and maintain facilities to effectively serve the consumers and assure security for the Government's loan.

Telephone loans are made to private companies and cooperatives. REA cooperates with the industry to extend telephone service to rural areas. To protect its loan security REA works with borrowers to develop sound construction and operating policies, and with manufacturers to develop efficient and economical equipment specifically designed for rural needs. Practically no standards or equipment specifically designed for rural telephone systems were in existence before REA initiated work in this field. Most borrowers have had little past experience in operating modern telephone systems.

REA has no field offices. Relations with borrowers are maintained through offices in Washington and a staff of field employees working directly with borrowers.

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man-years	Amount	Man-years	Amount	Man-years
Rural Electrification	:	:	:	:	:	:
Administration:	:	:	:	:	:	:
Salaries and expenses	\$11,934,094	966	\$12,202,000	977	\$12,202,000	961
Loan Authori-	:	:	:	:	:	:
zations: <u>a/</u>	:	:	:	:	:	:
Rural Electri-	:	:	:	:	:	:
fication	365,000,000	- -	365,000,000	- -	220,000,000	- -
Rural telephone	70,000,000	- -	97,000,000	- -	85,000,000	- -
Total, Agricultural	:	:	:	:	:	:
Appropriation Bill ..	446,934,094	966	474,202,000	977	317,202,000	961
Other funds:	:	:	:	:	:	:
Economic Development	:	:	:	:	:	:
Administration,	:	:	:	:	:	:
Department of	:	:	:	:	:	:
Commerce-Operations	295,430	21	84,000	5	- -	- -
Agency for Inter-	:	:	:	:	:	:
national Development:	:	:	:	:	:	:
-Training of foreign:	:	:	:	:	:	:
participants	23,153	1	25,580	1	25,800	1
Miscellaneous reim-	:	:	:	:	:	:
bursements	15,449	1	10,000	1	10,000	1
Total, other funds	334,032	23	119,580	7	35,800	2
Total, Rural Electri-	:	:	:	:	:	:
fication Adminis-	:	:	:	:	:	:
tration	447,268,126	989	474,321,580	984	317,237,800	963

a/ Includes contingency reserve authorization as follows:

1965 - \$90,000,000 for electrification program.

1966 - \$60,000,000 for electrification program.

1965 - \$7,000,000 for telephone program.

1966 - \$15,000,000 for telephone program.

STATUS OF PROGRAM

The Rural Electrification Administration makes loans to provide for electrification and telephone service in rural areas. It conducts appropriate loan security activities to safeguard the almost \$4 billion in loans outstanding. Loans are being made for the extension of electric and telephone service to the remaining unserved areas, the improvement of existing telephone service in rural areas, and to provide the necessary additional facilities to meet the ever-increasing need for power on existing electric systems. Assistance is being given borrowers in rural development activities to improve the economic conditions throughout their service areas.

ADMINISTRATION OF ELECTRIFICATION AND TELEPHONE PROGRAMS

Accounting and Auditing - The review of loan security is dependent in large measure on current, complete and accurate financial reports from the borrowers. Experience has also demonstrated that good reporting and accounting systems improve borrowers' operating efficiency. REA helps develop better trained borrower accounting personnel, and better accounting and statistical records, through individual instruction, presentations at borrowers' meetings, review and evaluation of borrowers' records, publication of accounting guidelines, and by workshops. Particular emphasis is placed on advice and assistance to new borrowers.

REA requires its borrowers to have their regular accounts and supporting records audited annually by independent certified public accountants selected by the borrower and approved by REA. The Administration accepts a copy of the accountant's audit report in lieu of the treasurer's certified annual report required by the mortgage. These audit reports are reviewed by REA to pinpoint areas that may adversely affect loan security and need agency action to assure proper borrower development. Reports are also reviewed for compliance with specific agency reporting requirements. Borrowers and certifying accountants are advised of reporting deficiencies and suggestions are made for improving future audit reports. REA field accountants evaluate the quality of the work being performed. In selected cases, audit work papers are examined to determine whether the CPA has failed to disclose any significant information included in the work papers, but not reported in the audit report. When irregularities are disclosed subsequent to a CPA audit, but which occurred during the period audited by the CPA, REA is concerned as to whether the CPA used adequate auditing procedures that would have normally disclosed the irregularities. This review function is an important factor in preserving the integrity of the audit program and in insuring that the reports submitted are based on examinations carried out in accordance with acceptable standards.

Based on the specific request of our borrowers, 511 certified public accountants are currently approved to audit REA borrowers' accounting records. Of this number, two hundred ninety-seven firms are auditing electric borrowers and two hundred ninety-three are auditing telephone borrowers. Seventy-nine of these 511 firms perform audits for both programs.

REA field accountants audit loan fund transactions of each borrower periodically to determine that funds have been expended properly. During fiscal year 1965, loan fund audits of about 55 percent of the REA borrowers were performed.

Management Assistance to Borrowers - It is important that REA work with borrowers to keep them in a position where they can meet increasing debt service requirements. Only by working with the borrowers can REA detect adverse trends and other unfavorable developments which might endanger loan security and lead to default on loan payments due REA. Intensive effort is devoted to individual borrowers who are in financial difficulty or represent loan security problems for other specific reasons.

Attention is concentrated on delinquent borrowers. As of June 30, 1965, there were 5 electrification and 3 telephone borrowers delinquent in their loan payments. Delinquent payments of principal and interest were \$215,090 for electrification borrowers and \$107,182 for telephone borrowers.

Engineering Assistance and Technical Operations - REA engineers carry out activities in the office and in the field relating to the design, construction, operation and maintenance of borrowers' facilities. The activities range from studies in connection with engineering support for loan applications, area coverage design and long range system plans to the making of system operations and maintenance surveys. The performance of these activities is essential to loan security, to assure that properties are adequately maintained and that borrowers' electric and telephone systems are operated in the most economical and effective manner. REA develops and establishes the engineering standards, requirements, or guidelines for use of the borrowers and their consulting engineers, in the important aspects of design, construction and technical operation and maintenance to protect the properties that secure the Government loans.

Area Coverage - The broad program objectives of achieving maximum area coverage continues to receive heavy emphasis. Many electric and telephone borrowers have progressed to the point where they make service available at any point in their service area at the regular rate. Others have progressed to the point where they can make area coverage service available within territorial limitations, and some borrowers are still faced with the problem of trying to extend service to unserved people in locations where the cost of construction is so high that the proposed construction is not financially feasible. Experienced REA personnel must be constantly available to encourage and help borrowers solve the problems obstructing the full accomplishment of area coverage and at the same time maintain financially sound structures capable of supplying power and telephone service in rural areas at reasonable rates.

Borrowers' General Funds - Borrowers have continued to make substantial progress in conforming to REA standards for the amount and management of their general funds. As of December 31, 1961, before REA issued its 1962 bulletin on general funds, 263 electric borrowers had general funds exceeding 20 percent of plant. In the following three years, the number of such borrowers has been reduced to 229, 181, and in December of 1964, to 148.

The balance of advance payments by electric borrowers increased during fiscal year 1965 by \$30.9 million, the largest annual increase ever experienced. The increase during the last three fiscal years totaled \$82.0 million, as compared with \$39.4 million for the preceding three years.

Power Supply - During fiscal 1965, the cost of power to distribution borrowers amounted to approximately \$300,000,000. This represents over 42 percent of their total expenses. Requirements are increasing at a rate in excess of 1,000,000 kw per year. For fiscal year 1965, the borrowers' demands approximated 10,000,000 kw. In view of the magnitude of the cost and the increasing requirements, REA and the distribution borrowers are continuously studying their power supply arrangements to achieve maximum economy and assure adequate and dependable sources of power to meet their present and future requirements without restrictions imposed by power suppliers which would limit the borrowers' ability to carry out its responsibility as a power distributor.

Substantial progress has been made in the elimination of restrictive provisions and dual rates. In 1961, 19 power companies had 189 dual rate contracts with REA borrowers. As the result of aggressive negotiations during the last several years the number of dual rate contracts has been significantly reduced. During fiscal year 1965, four companies eliminated dual rate provisions in 66 contracts. At the end of the fiscal year, there remained six private power companies with 52 contracts containing dual rate provisions. A continuing effort must be made to fully eliminate such contracts so that the cooperatives have a reasonable opportunity to diversify the loads in their areas.

Approximately 400 contracts or contract amendments involving power supply were approved by REA during fiscal year 1965. REA personnel actively participated with borrower groups in the negotiations involving the bulk of these contracts. Wholesale rate reductions were achieved for 55 borrowers with approximately one-half of these cases resulting in substantial reductions.

Major efforts to obtain the benefit of pooling operations for borrowers were continued during the year. Arrangements worked out in prior years are proving the great benefits to be gained by interconnection and interchange between the borrowers and others in the power industry. REA provides assistance and technical know-how in planning studies and negotiations with borrowers participating in pooling arrangements in determining whether it is more advantageous to make investments in facilities, or to postpone such investments by using interchange power or additional purchases through interconnection.

REA is continuing to watch carefully the regulatory aspects of wholesale power supply. The Federal Power Commission's action to expand its jurisdiction over REA borrowers is being held in abeyance pending congressional action. A decision by FPC in the Southwestern Public Service case in regard to negotiation of favorable wholesale power contracts has granted some relief in a very unstable situation.

In this decision, the Commission held essentially that REA borrowers were a separate classification of wholesale customer, and that as such, the sales to REA borrowers need not necessarily produce a rate of return equal to that produced by other classifications. This decision, has, however, been appealed to the courts, and the final outcome remains a question.

During fiscal year 1965, 309,866 kw of REA-financed generating capacity was installed by REA borrowers. It is expected that borrowers will add 642,000 kw of generating capacity during fiscal year 1966. During fiscal year 1967, 505,000 kw of added generating capacity is anticipated to go into operation, including the 50,000 kw nuclear plant at Genoa, Wisconsin.

Nuclear Power Developments - The Rural Cooperative Power Association received authorization from the Atomic Energy Commission on June 3, 1965, to assume full responsibility for the operation of the nuclear reactor at Elk River, Minnesota.

The nuclear installation of the Dairyland Power Cooperative on the Mississippi River at Genoa, Wisconsin, has encountered control rod drive difficulties. It is estimated that this reactor will be ready for commercial operation during the first half of fiscal year 1967. While the AEC will own the reactor, the Dairyland Power Cooperative will own the conventional side of the plant and operate the system.

Improvements in Electric Standards and Techniques - During the fiscal year 1965 significant improvements were made in construction standards and techniques, technical operations and maintenance, and in the development and use of new and improved equipment and materials.

Construction drawings and specifications for underground rural installations were prepared and adopted as REA standards.

Tests were conducted to determine the feasibility of using post-type insulators on large conductor assemblies. These tests showed that the post insulator compared very favorably with the saddle pin in standard use. As a result of this work, REA accepted the post insulator for large conductors as REA standard assemblies.

A project on steep wave front impulse testing of suspension insulators was begun at the High Voltage Laboratory of the Bureau of Standards. Very noticeable discrepancies in test results obtained from the various industry laboratories was a major factor in establishing this project. One of the main objectives of this project is to obtain a standard test method that can be followed by the industry with consistent results. Immediate benefits were obtained when the test program provided assurance that a foreign insulator of unusual design would be satisfactory for use. This insulator should be very helpful in alleviating the current scarcity of suspension insulators.

The effect of aeolian vibration on small conductors was investigated at the mechanical laboratory of the National Bureau of Standards. As a result of this work, changes in standard construction will permit the use of stranded jumpers and replacement of the rigid tap saddle now used with short sections of armor rods.

A study on the performance of utility poles was converted to processing by computer for more efficient handling of the data. Experience reported by 125 borrowers during the years 1951 through 1963 was analyzed and assembled. A report to borrowers is nearing completion. The findings have already been applied to determinations of average pole life for depreciation purposes.

A short-cut method was developed for determining the effects of large motors on rural distribution systems. The method is a significant contribution to the sound operation of rural systems.

The National Electrical Code making panels, on which REA is represented, completed work on the 1965 revision of the National Electrical Code. The 1965 edition has been printed and will be available in final status as Volume V of the National Fire Codes of the National Fire Protection Association.

A program of field testing of new transformers was begun. Transformers are selected on a random basis from recent shipments to REA borrowers and tested for radio and telephone interference. The discovery of a number of transformers which failed to meet REA standards has initiated conferences with the manufacturers and the beginning of corrective action.

An experimental iron core reactor was designed and constructed during the year for use on inductive coordination problems. This reactor will find applications where the conditions require a magnitude of inductance impractical to obtain with an air-cored reactor.

Improvements in Telephone Standards and Techniques - Continued progress in the rural telephone program is heavily dependent upon improvements in standards and techniques to provide for improved and more economical rural telephone systems. With the limited staff available for this work, REA concentrated its efforts on the higher priority needs.

It is estimated that more than 70 percent of the route mileage now being constructed in the rural telephone program is buried plant. Heretofore, the use of this plant concept which affords initial and annual cost savings and more dependable telephone service, has been restricted to those borrowers' systems where favorable soil conditions exist. To permit its use in rough and rocky terrain areas, REA engineers, working with manufacturers, developed specifications for high density plastic-insulated cable, plowing techniques, and accessory equipment. Field trials conducted on borrowers' systems proved conclusively that high density polyethylene provided a substantial improvement in cable protection when compared with the conventional outer jacketed low density polyethylene. Upon the successful conclusion of the field trials, REA incorporated into its engineering practices, specifications for this new type of cable which will make possible the extension of more dependable service to all service areas including rocky terrain.

Studies, field testing and work with manufacturers resulted in a determination that existing central office equipment can be modified to provide for greater signaling distances. As a result, subscriber loops can be extended over greater distances, thereby facilitating the extension of telephone service to rural areas heretofore not possible with the use of existing central office equipment. Extension of service can be made at a nominal cost thereby eliminating the need for costly new equipment. This modification of existing central office equipment will also afford further savings to borrowers by making possible the use of smaller gauge cable and also reduce the need for expensive auxiliary equipment such as long line adapters which are presently required to reach the more distant subscribers. Approximately one-half of all REA loans, because of cost considerations, stipulate the re-use of existing central office equipment. This points out the importance of this development. REA specifications for central office equipment are presently being revised to reflect this new signaling requirement.

Through automatic data processing, REA was able to complete Part II of the Subscriber Loop Study. This report, setting forth telephone borrowers' subscriber loop composition and cost, will be particularly helpful to REA and borrowers' consulting engineers for system expansion and upgrading of service. Only through the use of ADP was REA able to undertake and complete this study on schedule. It is estimated that it would have taken approximately 13,000 man hours to complete this phase of the study by manual means versus the 250 man hours used to process the data on machines. This technique has made possible greater division workload capacity and has enabled maximum utilization of engineering personnel. REA intends to use this technique whenever work can be expedited and a savings in time and money can be accomplished.

After careful study and review of design criteria, REA is emphasizing cost savings to be obtained through the use of finer gauge cable whenever possible. Program statistics have indicated that this effort has been successful in that REA borrowers are using smaller quantities of 19 gauge and slightly more 24 gauge cable. It is difficult to estimate savings to be obtained through this program, but for the year 1965 anticipate they will total \$2,000,000 in outside plant costs and \$3,000,000 for each year thereafter. These savings reduce program costs and make possible significant economies in the cost of rendering telephone service to all rural areas.

REA engineers developed a specification for one-party carrier system and interested one manufacturer in making such equipment available to the rural telephone program. Development of this equipment has been very rapid and field trials have been scheduled for this Spring with the expectation that it will be commercially available some time this fall. This equipment appears to be of sound design and it is believed that it will prove our in field trial. A second manufacturer is now also developing equipment of this type. At present, subscriber carrier equipment costs REA borrowers approximately \$1,200 per channel. The cost of this new one-party carrier equipment is estimated at only \$400 per channel or a savings of about \$800 per channel. Based on the current number of new subscriber carrier channel installations per year in the Rural Telephone Program, annual savings of over \$1,000,000 can be achieved for REA and its borrowers. However, the total future annual savings is difficult to estimate because this equipment's lower cost and broader application will greatly accelerate its use. Although the future savings which will accrue to REA and borrowers is of major significance, the most important factor in the development of this equipment is that it will make it economically and technically feasible for REA borrowers to meet their subscribers' increasing demands for higher grades of service.

REA engineers have been exploring the possible applications of plastic duct conduit systems in the rural telephone program. Favorable results have been obtained from a field trial recently conducted on an REA borrower's system. We believe that this new technique will make it possible to reduce the costs from approximately \$30,000 per mile for conventional duct systems to about \$10,000 per mile for plastic duct systems. We believe this new advance will be beneficial to borrowers, particularly in reinforcing existing systems to meet subscriber demands for improved service.

Rural Areas Development - The economy of rural areas continues to suffer from low farm income, unemployment and outmigration. REA and its borrowers are concerned with the effect on electric consumption and telephone usage. In March 1965, idle services along the borrowers' electric lines had increased to 629,000, from 601,000 a year earlier. The borrowers' strength and ability to provide service at rates and quality comparable with urban service is linked to the economic well-being of the communities they serve. REA encourages them to employ their local leadership abilities in starting or helping community efforts to improve local economic conditions.

Considerable effort is directed toward assisting new businesses and industries to locate along borrower lines. Such enterprises raise electric consumption and telephone usage, provide jobs, and increase income of existing businesses and area residents. REA assists the borrowers in finding technical advice and private or public sources of credit needed to help launch new industries, to provide water systems and other community facilities which enable industry to locate there, and generally to assist in any project designed to improve local economy.

REA electric borrowers serve in more than 90 percent of all the counties designated as 5(b), or rural, by the Economic Development Administration (EDA). During fiscal year 1965, REA and its borrowers assisted 112 ARA industrial and commercial project proposals in the development stage, which was a decrease from the previous year caused by depletion of ARA loan funds. About 700 rural projects of all types were in the development stage and received attention from the borrowers and REA.

In addition, REA has the delegated responsibility for certifying EDA commercial and industrial project proposals located in rural areas as to consistency with Department of Agriculture policies for the sound development of rural areas. In project proposals located in nonrural, or 5(a) areas, but involving agriculture or forestry products, EDA requests REA to provide comments and suggestions to EDA for its use in reaching decisions on loan applications. A total of 96 EDA projects were certified and/or commented upon during fiscal year 1965, also representing a decrease because of the loan funds situation.

Further, REA is authorized under Section 5 of the Rural Electrification Act to provide financing through the electric borrowers for electrical and plumbing equipment for businesses and industries on borrowers' lines when such financing is not available from other private or public sources. REA approved three such Section 5 loans for a total of \$345,000 in fiscal year 1965. Assistance in seeking alternative financing prior to approval of other Section 5 loan applications led to available credit sources which made possible a number of projects without REA lending.

Total activity in rural areas development is expected to gain increased momentum during fiscal years 1966 and 1967. As in the past, it is probable that a substantial portion of financing for new projects will come from local bodies, private lenders, Small Business Administration and other sources. REA's work with borrowers in the economic development of their areas will continue to concentrate on assisting them to secure aid from any source.

Five-Star Member Service Program - This program, which was initiated during 1963, is improving the relationship between electric cooperatives and their members. The experience gained through working with hundreds of REA-financed electric cooperatives around the country has been categorized into the five major areas of cooperative member relations' activities, designated as (1) non-profit operation, (2) ownership and control, (3) adequate and dependable electric service, (4) full electrical use, and (5) telling the co-op story. The program is one of self analysis coupled with positive action by the borrower. More than 80 percent of the REA-financed electric cooperatives are participating in the program. As a result, thousands of specific actions have developed. These involve remedial changes, improvements and new programs designed to maintain maximum efficiency and operation of the cooperative to the maximum advantages of its members.

Through the Five-Star Program, REA is able to stimulate and assist board members to follow a carefully designed approach to uncover weaknesses that may exist in their member programs, and to strengthen areas where weaknesses are found. Because of the success of the Five-Star Member Service Program experienced by the electric cooperatives, REA has recently extended the program to the REA-financed telephone cooperatives.

ELECTRIFICATION PROGRAM STATISTICS

Since the inception of the electrification program in 1935, loans have totaled over \$5.6 billion. During this period the percentage of farms with central station electric service has increased from about 10 percent to 98.2 percent. There is a continuing demand for new service to non-farm rural consumers as residential areas move into the country and as business and industry develop in rural areas. Systems are experiencing heavy increases in consumption of electric power, as the loads are doubling about every seven years. During the fiscal year 1965, substantial progress was made in approving loans to finance the construction of electric distribution, generation and transmission facilities and in safeguarding the security for loans already made.

<u>Loan Activity</u>	<u>Fiscal Year 1965</u>	<u>Fiscal Year 1966 Estimate</u>
Applications on hand, start of year	\$227,644,000	\$209,212,000
Applications received during year	\$380,259,000	\$500,000,000
Number of loans made	248	270
Amount	\$379,973,000	\$270,000,000
Miles of line to be constructed	17,859	19,000
Consumers to be served	151,727	165,000

For fiscal year 1966, electrification loan funds available will total \$402,415,091. This sum consists of a new loan authorization of \$365 million plus a carryover of \$37,356,091 in unused funds from the fiscal year 1965 and estimated rescissions of \$59,000. The Act provides that \$60 million of the \$365 million electric authorization be placed in reserve to be used to the extent needed for the electrification program.

Purpose of Loans Made - During fiscal year 1965, loans for distribution systems construction amounted to \$150,436,564 or 39.6 percent of all loans for the year. Loans for generation and transmission facilities totaled \$229,091,436, or 60.3 percent of the loans made. The remaining \$445,000, or .1 percent was loaned to REA borrowers for financing consumer facilities.

Rescissions - Periodically, REA reviews the status of unadvanced loan funds for all borrowers, as well as doing so each time a new loan is under consideration for a particular borrower. Loans are rescinded or transferred to other needed purposes where it is indicated that borrowers no longer need the remaining unadvanced funds for the purpose for which they are loaned. During the fiscal year 1965, loan rescissions amounted to about \$29,272,000.

Fund Advances and Construction Progress

	<u>Fiscal Year 1965</u>	<u>Fiscal Year 1966 Estimate</u>
Advances	\$299,789,434	\$290,000,000
Consumers served	139,546	150,000
Miles energized	20,218	21,000
Generating capacity installed (kw)	309,866	642,000

Unadvanced loan funds aggregated \$880.0 million on June 30, 1965, and are expected to be about \$859.9 million by June 30, 1966. The amount of unadvanced loans is substantial because of the considerable time which elapses between the making of a loan and the final advance of funds when construction is completed, particularly for generation and transmission facilities and system improvements.

Cumulative Repayments

	<u>June 30, 1964</u>	<u>June 30, 1965</u>
Payments:		
Principal	\$1,379,740,040	\$1,535,640,231
Interest	658,730,218	726,303,185
Payments ahead of schedule	237,004,604	267,882,703
Payments overdue more than 30 days	116,794	215,090
Interest and principal lost on two foreclosures	44,478	44,478

Borrowers' loan repayment schedules are steadily increasing as a result of record amounts loaned in recent years on which payments are now becoming due. The debt payments of borrowers rose sharply during the period 1950-65 when payments became due on large amounts loaned during borrowers' initial construction programs. From 1950 to 1965, annual principal and interest due from electric borrowers increased from approximately \$36.5 million to over \$192.5 million, and in 1966 it is expected to be about \$198.5 million. During fiscal year 1965, the increase in repayments ahead of schedule was \$30,878,099.

TELEPHONE PROGRAM STATISTICS

Since the inception of the rural telephone program in fiscal year 1950, loans have totaled about \$1,168 million. During this period the percentage of farms with telephone service has increased from about 38 percent to an estimated 80 percent. There is a continued interest in modern telephone service in areas where present facilities are inadequate and do not meet the needs for modern communications.

Satisfactory rural service today implies an improved grade of service from the 8-party rural concept. In keeping with consumer demand for better telephone service, and the willingness of subscribers to accept the cost of improved service, REA now recommends that 4-party flat rate rural service be the preferred standard. Due to an increasing demand for one and two party graded service in rural areas, the REA encourages borrowers to forecast this type of service and develop systems to meet this demand at reasonable rates.

	<u>Fiscal Year</u> <u>1965</u>	<u>Fiscal Year</u> <u>1966 Estimate</u>
<u>Loan Activity</u>		
Applications on hand, start of year	\$84,694,000	\$122,177,000
Applications received during year	\$112,421,000	\$125,000,000
Number of loans made	170	175
Amount	\$96,974,000	1/ \$101,000,000
Route miles of line to be constructed or improved	19,256	20,000
Subscribers to receive new or improved service	79,299	84,000

1/ Includes increased amounts for revised applications.

Telephone loan funds estimated at \$101,399,983 for fiscal year 1966 consist of a regular authorization of \$97,000,000; carryover of unused funds from fiscal year 1965 of \$3,833,983 and estimated rescissions of prior year loans of \$566,000. The Act provides that \$15 million of the \$97 million telephone authorization be placed in reserve to be used to the extent needed for the telephone program.

	<u>Fiscal Year</u> <u>1965</u>	<u>Fiscal Year</u> <u>1966 Estimate</u>
<u>Fund Advances and Construction Progress</u>		
Advances	\$80,792,311	\$80,000,000
Route miles of line constructed or improved	20,890	20,000
Dial subscribers receiving new or improved service	102,188	102,000

Through June 30, 1965, a total of 826 borrowers were authorized advances of loan funds for construction with a cumulative total of \$957,487,449 being advanced to these borrowers. The funds advanced provided for construction and improvement of 374,547 miles of line and new or improved dial service to

about 1,674,000 subscribers. In addition, contract and force account proposals had been approved for construction of about 22,382 additional miles. During fiscal year 1965, central office equipment installations were completed in 179 exchanges as compared to 238 during fiscal year 1964.

Cumulative Repayments

	<u>June 30, 1964</u>	<u>June 30, 1965</u>
Payments:		
Principal	\$79,464,484	\$101,163,191
Interest	66,895,578	83,794,963
Repayments ahead of schedule	9,324,112	10,272,503
Payments overdue more than 30 days	166,652	107,182

A major factor accounting for the past overdue payments has been the delays in construction, especially the long delays in delivery of central office equipment. These delays resulted in payments becoming due before construction was completed.

PROGRESS OF ELECTRIFICATION AND TELEPHONE PROGRAMS

The cumulative figures presented in the following tables I, II, III and IV show the progress that has been made in the electrification and telephone programs since their inception.

TABLE NO. I - ELECTRIFICATION LOANS
(Cumulative Figures)

Date	Total Net Loans All Purposes	Estimated Coverage when Construction is Completed on all Loans Approved to Date	
		Miles of Line	Consumers Served
June 30, 1936-45	\$524,542,502	471,351	1,495,233
June 30, 1946	813,914,990	672,667	2,080,167
June 30, 1947	1,068,436,162	811,019	2,484,503
June 30, 1948	1,381,459,261	931,467	2,847,991
June 30, 1949	1,830,318,858	1,097,705	3,352,603
June 30, 1950	2,205,470,314	1,214,702	3,688,969
June 30, 1951	2,427,204,114	1,286,127	3,896,824
June 30, 1952	2,592,629,925	1,317,279	4,034,334
June 30, 1953	2,730,009,085	1,351,297	4,195,732
June 30, 1954	2,885,932,099	1,387,441	4,367,045
June 30, 1955	3,050,119,414	1,411,765	4,546,463
June 30, 1956	3,238,250,759	1,435,478	4,717,730
June 30, 1957	3,536,955,428	1,460,431	4,903,777
June 30, 1958	3,772,577,652	1,479,209	5,088,096
June 30, 1959	3,942,338,539	1,491,406	5,188,687
June 30, 1960	4,153,325,751	1,503,863	5,312,265
June 30, 1961	4,424,756,408	1,520,899	5,459,083
June 30, 1962	4,680,742,660	1,534,551	5,560,708
June 30, 1963	5,020,163,286	1,555,087	5,762,534
June 30, 1964	5,280,871,573	1,572,769	5,929,349
June 30, 1965	5,631,572,196	1,590,628	6,081,076
June 30, 1966 (est.)	5,901,513,196	1,609,628	6,246,076
June 30, 1967 (est.)	6,171,513,196	1,624,128	6,371,076

TABLE NO. II - ELECTRIFICATION CONSTRUCTION
(Cumulative Figures)

Date	Loan Funds Advanced to Borrowers	Total Miles Energized	Construction Completed		Total KWH Sales ^{a/} (Annual) (Thousands)
			Total Consumers Served	Total Consumers Served	
June 30, 1936-45	\$427,366,738	424,072	1,287,347		1,872,619
June 30, 1946	514,619,844	414,837	1,549,057		1,979,287
June 30, 1947	704,705,701	546,781	1,843,351		2,584,166
June 30, 1948	950,941,658	666,156	2,263,869		3,617,136
June 30, 1949	1,272,228,526	839,685	2,778,180		4,879,940
June 30, 1950	1,558,887,178	1,018,336	3,251,787		6,225,096
June 30, 1951	1,827,017,836	1,134,498	3,547,323		7,682,459
June 30, 1952	2,054,591,865	1,210,473	3,769,426		9,319,621
June 30, 1953	2,262,225,801	1,271,443	3,951,940		10,939,864
June 30, 1954	2,443,754,333	1,315,630	4,109,223		12,658,232
June 30, 1955	2,600,496,268	1,348,069	4,187,825		14,258,116
June 30, 1956	2,755,235,812	1,372,001	4,301,705		17,077,279
June 30, 1957	2,941,213,434	1,394,353	4,406,503		19,039,217
June 30, 1958	3,146,545,731	1,414,034	4,521,997		20,695,395
June 30, 1959	3,358,263,066	1,437,034	4,653,502		23,561,939
June 30, 1960	3,580,884,081	1,454,081	4,766,931		26,225,296
June 30, 1961	3,764,297,121	1,472,767	4,890,506		28,268,335
June 30, 1962	3,960,104,248	1,492,174	5,013,997		30,293,709
June 30, 1963	4,205,858,366	1,513,664	5,146,558		33,534,108
June 30, 1964	4,451,822,854	1,536,738	5,300,643		37,256,444
June 30, 1965	4,751,612,288	1,556,956	5,440,189		41,382,098
June 30, 1966 (est.)	5,041,612,288	1,577,956	5,590,189		45,500,000
June 30, 1967 (est.)	5,336,612,288	1,599,956	5,740,189		49,500,000

^{a/} Excludes energy sales by one REA borrower to another.

TABLE NO. III - TELEPHONE LOANS
(Cumulative Figures)

Date	Borrowers	Total Net Loans	Estimated Progress after Completion of Construction Authorized by Total Loans to Date	
			Route miles of line to be Constructed or Improved	Subscribers to Receive new or Improved Service
June 30, 1950	17	\$3,426,500	3,948	16,837
June 30, 1951	113	41,255,000	41,288	155,816
June 30, 1952	190	82,250,718	72,563	251,050
June 30, 1953	219	118,144,218	88,337	302,597
June 30, 1954	279	184,578,542	125,576	410,657
June 30, 1955	351	234,180,542	157,751	515,683
June 30, 1956	466	312,391,542	201,524	695,389
June 30, 1957	551	391,139,542	241,681	863,329
June 30, 1958	611	478,459,015	277,730	1,020,454
June 30, 1959	665	575,213,415	317,227	1,191,324
June 30, 1960	705	679,210,237	356,581	1,371,791
June 30, 1961	753	818,257,691	407,621	1,604,011
June 30, 1962	790	909,035,087	442,063	1,753,463
June 30, 1963	820	990,992,987	469,805	1,859,873
June 30, 1964	838	1,078,444,387	492,700	1,964,601
June 30, 1965	848	1,167,902,734	511,956	2,043,900
June 30, 1966 (est.)	860	1,268,336,734	531,956	2,127,900
June 30, 1967 (est.)	870	1,353,336,734	548,956	2,197,900

TABLE NO. IV - TELEPHONE CONSTRUCTION
(Cumulative Figures)

Date	Total Loan Funds Advanced to Borrowers	Construction Completed		
		Route Miles of Line Constructed or Improved	Subscribers Receiving New or Improved Dial Service	
June 30, 1950	.....	- -	- -
June 30, 1951	\$155,868	b/	b/	
June 30, 1952	7,797,218	204	1,686 a/	
June 30, 1953	31,662,022	8,243	24,729 a/	
June 30, 1954	60,102,148	26,541	85,000 a/	
June 30, 1955	99,889,134	45,498	148,000 a/	
June 30, 1956	153,808,413	68,607	223,000	
June 30, 1957	226,748,656	103,064	368,804	
June 30, 1958	309,608,665	144,556	537,562	
June 30, 1959	402,878,138	182,893	741,283	
June 30, 1960	501,262,035	219,051	935,062	
June 30, 1961	609,326,639	259,683	1,112,255	
June 30, 1962	706,563,875	292,700	1,295,658	
June 30, 1963	792,465,840	328,500	1,445,242	
June 30, 1964	876,695,138	353,657	1,568,530	
June 30, 1965	957,487,449	374,547	1,670,718	
June 30, 1966 (est.)	1,037,487,449	394,547	1,772,718	
June 30, 1967 (est.)	1,122,487,449	414,547	1,874,718	

a/ Estimated
b/ Not available.



(b) Salaries and Expenses

Appropriation Act, 1966	\$11,934,000
Proposed supplemental, 1966, for increased pay costs	268,000
Base for 1967	<u>12,202,000</u>
Budget Estimate, 1967	<u>12,202,000</u>

SUMMARY OF INCREASES AND DECREASES

	1966 Available	Increase or Decrease Pay Costs Other		1967 Estimate
Administration of the rural electric and telephone programs..	\$12,202,000	+\$100,000	- -	\$12,303,000
Reduction due to anticipated management improvements	- -	- -	-\$100,000	-100,000
Total	<u>12,202,000</u>	<u>+100,000</u>	<u>-100,000</u>	<u>12,202,000</u>

PROJECT STATEMENT

Project	1965	1966 (estimated)	Increases & decreases		1967 (estimated)
			Increased Pay Costs (P.L.89-301)	Other	
1. Administration of rural electrification program:					
a. Lending and management activities	\$3,536,748	\$3,668,095	+\$27,815	-\$25,000	\$3,670,910
b. Engineering activities	2,810,602	3,004,905	+22,185	-25,000	3,002,090
Total, Administration of electrification program ...	6,347,350	6,673,000	+50,000	-50,000(1)	6,673,000
2. Administration of rural telephone program:					
a. Lending and management activities	2,594,091	2,688,305	+24,170	-25,000	2,687,475
b. Engineering activities	2,917,300	2,840,695	+25,830	-25,000	2,841,525
Total, Administration of telephone program	5,511,391	5,529,000	+50,000	-50,000(1)	5,529,000
Unobligated balance ..	75,353	- -	- -	- -	- -
Total increased pay act costs (P.L.89-301) ..	(- -)	(268,000)	(+102,000)	(- -)	(370,000)
Total available or estimate	11,934,094	12,202,000	+100,000(2)	-100,000	12,202,000

EXPLANATION OF ESTIMATE

While the 1967 budget estimate is the same as the 1966 appropriation, the following adjustments are proposed:

(1) A decrease of \$100,000 in administration of the electric and telephone programs. An intensive management improvement and cost reduction program is expected to reduce overall administrative costs by about \$100,000, and decrease average employment for the year from about 984 in fiscal year 1966 to about 963 in fiscal year 1967. The savings will probably be spread evenly between the electrification and telephone programs.

(2) An increase of \$100,000 to provide for the full year costs in fiscal year 1967 of the pay increase pursuant to P.L. 89-301. (An overall explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1.)

FARMERS HOME ADMINISTRATION

Purpose Statement

The Farmers Home Administration, established November 1, 1946 pursuant to the Farmers Home Administration Act of 1946, conducts the following activities:

1. Makes direct and insured farm ownership loans pursuant to subtitle A of the Consolidated Farmers Home Administration Act of 1961, as amended. Such loans are made to farmers and ranchers for acquiring, enlarging, or improving farms and farm buildings; land and water development, use and conservation; forestry development; recreational facilities; refinancing indebtedness; and for loan closing costs. Loans are confined to farms which are not larger than family farms. A loan cannot exceed \$60,000 in any case. Loans are repayable in not more than 40 years and bear interest not in excess of 5 percent. Insured loans are made with funds advanced by private lenders and payments of principal and interest are fully guaranteed. The Government may retain an amount out of interest as an insurance premium. From any amount so retained, not to exceed one-half of one percent of the outstanding principal obligation must be deposited in the Fund to cover losses. Any remainder of such charges is available for administrative expenses of the Farmers Home Administration. The Administration services these insured loans, makes collections, and pays the lender.
2. Makes direct and insured soil and water loans pursuant to subtitle A of the Consolidated Farmers Home Administration Act of 1961, as amended. Such loans are made to farmers and ranchers and to public and non-profit associations for the effective development and utilization of water supplies and waste disposal systems and for the improvement of farm land by soil and water conserving facilities and practices. Loans to associations also may be made for shifts in land use and the development of recreational facilities. Direct land conservation and development loans to individuals are made in the Appalachian region to establish and carry out land stabilization, conservation and erosion control practices. Loans may be made on farms of any size. For loans to individuals, a loan cannot exceed \$60,000 in any case. For loans to associations, the unpaid principal indebtedness, together with the amount of any grant assistance, is limited to \$4,000,000. Loans are repayable in not more than 40 years and bear interest not in excess of 5 percent. Insured soil and water loans are made on the same basis as insured farm ownership loans.
3. Makes direct operating loans pursuant to subtitle B of the Consolidated Farmers Home Administration Act of 1961, as amended. Such loans are made to farmers and ranchers for costs incident to reorganizing a farming system for more profitable operations; for a variety of essential farm operating expenses such as purchase of livestock, farm equipment, feed, seed, fertilizer, farm supplies, and other essential farm operating expenses including cash rent, and costs incident to the production and harvesting of forestry products; for financing land and water development, use and conservation, including recreational uses and facilities; for refinancing indebtedness; for other farm and home needs; and for loan closing costs. Loans are confined to operators of not larger than family farms. The outstanding principal loan balance for operating loans is

limited to \$35,000. Loans bear interest not in excess of 5 percent and may be made for periods up to 7 years, but may be renewed for not more than 5 additional years. Loans are secured by crop and chattel liens, and when necessary, by real estate mortgages.

4. Makes grants for the preparation of comprehensive plans for the development of water or sewer systems in rural areas pursuant to subtitle A of the Consolidated Farmers Home Administration Act of 1961, as amended. Grants for the preparation of comprehensive water and sewer plans may be made to public bodies such as counties, townships, planning commissions, and similar units of government, and such other agencies as may have authorization to prepare such official comprehensive plans. The amount of each such grant will be limited to the actual expenses for the preparation of the plan which are outside the normal budget of the recipient organization.
5. Makes grants for water and sewer development costs pursuant to subtitle A of the Consolidated Farmers Home Administration Act of 1961, as amended. Development grants are made to associations, including corporations operating on a non-profit basis, municipalities, and similar organizations, generally designated as public or quasi-public agencies, that propose projects for development, storage, treatment, purification, and distribution of domestic water or the collection, treatment, or disposal of waste in rural areas. Such grants may not exceed 50 percent of the development cost of the projects, and supplement other funds borrowed or furnished by applicants to pay development costs. No loan or grants may be made which would cause the unpaid principal indebtedness of any association owed to the Farmers Home Administration, together with the amount of any assistance in the form of a grant, to exceed \$4,000,000 at any one time.
6. Makes direct rural housing loans pursuant to Title V of the Housing Act of 1949, as amended. Direct building loans are made to farm owners, to owners of other real estate in rural areas, to elderly rural residents, to long-term farm leaseholders and to other rural residents to construct, improve, alter, repair, or replace dwellings and essential farm service buildings. Loans may include funds to buy an older, previously occupied house, building site, and to buy farm service buildings. Direct farm enlargement and development loans, along with building loans, are also made to farm owners on potentially adequate farms who need to develop their farms so as to increase their income sufficiently to repay the loans. Loans are repayable in not more than 33 years and bear interest not in excess of 5 percent.
7. Makes direct loans for rental housing for the elderly pursuant to Title V of the Housing Act of 1949, as amended. Such direct loans are made to private non-profit corporations and consumer cooperatives to provide modest cost rental housing and related facilities for elderly persons of low or moderate income in rural areas. These direct loans are repayable in not more than 50 years and bear interest at a rate similar to that of the direct loan program of the Housing and Home Finance Agency for the elderly in urban areas, which is currently 3 percent.
8. Makes insured rural housing loans pursuant to Title V of the Housing Act of 1949, as amended. Insured building loans to individuals are made to enable eligible applicants in rural areas to construct, improve, alter, repair or replace dwellings and farm buildings and to purchase previously occupied

buildings and land constituting a minimum adequate site. If the borrowers are persons of low or moderate income, the loans bear interest at 5 percent and may not exceed amounts necessary to provide adequate housing, modest in size, design and cost. Loans to persons other than those of low or moderate income bear interest currently at a rate of 5 and 3/4 percent. Insured building loans are made to farm owners, owners of other real estate in rural areas, other rural residents, and long-term farm leaseholders.

9. Makes insured loans for rental housing for the elderly pursuant to Title V of the Housing Act of 1949, as amended. Such insured loans are made to individuals, corporations, associations, trusts, or partnerships to provide moderate cost rental housing and related facilities for elderly persons in rural areas. These loans are repayable in the number of years best suited to the individual case and bear interest at 5-3/4 percent. No loan may exceed \$300,000.
10. Makes insured farm labor housing loans pursuant to Title V of the Housing Act of 1949, as amended. Such insured loans are made either to a farm owner or to a public or private non-profit organization to provide modest living quarters and related facilities for domestic farm labor. These loans, which are made with funds advanced by private lenders, are repayable in not more than 33 years and bear interest not in excess of 5 percent. Otherwise, insured farm labor housing loans are subject to the same terms and limitations applicable to other types of insured loans, except that these loans are not limited to family farms or to any specific amount.
11. Makes rural housing repair and improvement grants pursuant to Title V of the Housing Act of 1949, as amended, for such minor items as repairing roofs, providing sanitary facilities, providing a sanitary water supply, and supplying screens. In some cases, combination loans and grants are made, but the loan, grant, or combination may not exceed \$1,000.
12. Provides financial assistance to public or private non-profit organizations for low-rent housing and related facilities for domestic farm labor pursuant to Title V of the Housing Act of 1949, as amended. Financial assistance not to exceed two-thirds of the total development costs will be provided for new structures suitable for dwelling use by domestic farm labor, for rehabilitation, alteration, conversion or improvement of existing structures which can be made suitable for dwelling use by domestic farm labor, and for new structures or repairing and remodeling existing structures suitable for use as dining halls, community rooms or buildings, infirmaries or other essential service facilities.
13. Provides technical assistance and makes direct loans for rural renewal activity pursuant to section 102 of the Food and Agriculture Act of 1962. Loans are made to local agencies or groups for rural renewal projects specifically related to conservation and land utilization. Each project financed with loan funds will be an important component of an overall rural renewal plan developed to rebuild the economy of the designated area. To be eligible for designation as a rural renewal area, the locality must be one of chronic underemployment on farms and unemployment in the surrounding communities. The area must also be one in which agriculture or forestry contribute substantially

to the economy. Rural renewal loans are repayable in not more than 30 years, with repayment of principal and interest deferred up to 5 years, if necessary. Loans bear interest at the average rate paid by the U.S. Treasury on obligations of similar maturity. The current rate is 3.222 percent. Loans in excess of \$250,000 require approval of the Committee on Agriculture of the House and the Committee of Agriculture and Forestry of the Senate.

14. Makes direct emergency loans pursuant to subtitle C of the Consolidated Farmers Home Administration Act of 1961, as amended. Such loans may be made in designated areas where a natural disaster has caused a general need for agricultural credit which cannot be met for temporary periods of time by private, cooperative, or other responsible sources, including the Farmers Home Administration in its regular loan programs. Emergency loans are made to eligible established farmers, ranchers or oyster planters, and to private domestic corporations or partnerships engaged primarily in farming, ranching or oyster planting. Public Law 89-339, approved November 8, 1965, authorized loans in the Hurricane Betsy area for a limited time with special provisions for cancellation of principal or waiver of interest up to \$1,800. Emergency loans may be made for any of the purposes for which farm ownership, soil and water, and operating loans are authorized. Emergency loans bear interest not in excess of 3 percent and are repayable not later than regular loans made by the Farmers Home Administration for similar purposes. Loans may be made outside of designated emergency areas to persons or corporations who have suffered severe production losses not general to the area as a result of a natural disaster, or to persons who are indebted for emergency loans made by the Farmers Home Administration under prior authorities.
15. Makes direct watershed and flood prevention loans from funds appropriated to the Soil Conservation Service under "Watershed Protection" and under "Flood Prevention". Such loans are made to local organizations for installing, repairing or improving works of improvement and water storage facilities, purchasing sites or rights-of-way and for related costs. Loans are repayable in not more than 50 years at an interest rate based on specified outstanding obligations of the Treasury. The current rate is 3.222 percent. Total loans outstanding on any one project may not exceed \$5,000,000.
16. Makes direct resource conservation and development loans from funds appropriated to the Soil Conservation Service under "Resource conservation and development". Loans are made to local organizations and individuals for planned conservation measures and works of improvement as specified in approved work plans. Loans are repayable in not to exceed 30 years at an interest rate based on the average rate paid by the United States Treasury on obligations of similar maturity. The current rate is 3.222 percent.
17. Makes direct operating loans to low-income rural families for agricultural and non-agricultural purposes and direct loans to cooperative associations from funds appropriated to the Office of Economic Opportunity under the Economic Opportunity Act. Loans for both agricultural and non-agricultural enterprises are made to assist farm families to improve their economic circumstances through the acquisition and development of resources. Loans are made to farm families for non-agricultural enterprises which supplement farm income. Loans are also made to families in rural areas for non-agricultural enterprises which through the acquisition and development of resources

will help improve their economic circumstances. Loans are made to local cooperative associations which furnish essential processing, purchasing or marketing services, supplies or facilities predominantly to low-income rural families.

Technical guidance in planning and carrying out sound farm operations is provided borrowers on the basis of their individual problems and needs. No loan is made to anyone who can secure adequate credit from other sources at reasonable rates. A local county or area committee of 3 (2 of whom must be farmers) is required to approve each applicant and each loan.

On July 1, 1965, the Administration was servicing the accounts of about 242,000 individual borrowers and 1,265 association borrowers serving approximately 179,000 families with principal indebtedness of \$2,745,700,000. This service was provided from 43 State offices and approximately 1,600 county offices utilizing the services of about 2,500 supervisors and 7,800 local committeemen.

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual		Estimated		Budget Estimate	
	1965		Available, 1966		1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Farmers Home Administration:						
Direct Loan Account:						
Real estate loans:						
Farm ownership	\$45,000,000	- -	\$45,000,000	- -	\$5,000,000	- -
Soil and water	15,000,000	- -	30,000,000	- -	85,000,000	- -
Land conservation and development						
(Appalachia)	7,100,000	- -	- -	- -	7,100,000	- -
Subtotal, real estate loans	67,100,000	- -	75,000,000	- -	97,100,000	- -
Operating loans <u>a/</u> ..	300,000,000	- -	300,000,000	- -	300,000,000	- -
Subtotal, direct loan account	367,100,000	- -	375,000,000	- -	397,100,000	- -
Rural water and waste disposal grants	- -	- -	20,000,000	- -	26,000,000	- -
Rural Housing Direct Loan Account: <u>b/</u>						
Building loans	130,975,987	- -	60,450,000	- -	10,000,000	- -
Elderly rental housing loans	1,120,390	- -	5,000,000	- -	5,000,000	- -
Subtotal, rural housing direct loan account	132,096,377	- -	65,450,000	- -	15,000,000	- -
Rural housing grants .	1,922,020	- -	- -	- -	4,000,000	- -
Rural housing for domestic farm labor .	- -	- -	3,000,000	- -	3,000,000	- -
Rural Renewal	1,200,000	12	1,200,000	26	1,200,000	26
Salaries and expenses:						
Appropriation	41,557,638)		49,661,000)		51,600,000)	
Transfer from Agricultural Credit Insurance Fund	800,000)	4,987	2,250,000)	6,175	2,250,000)	6,275
Transfer from "Loans, Farmers Home Administration"	500,000)		500,000)		- -)	
Subtotal, Salaries and expenses	42,857,638	4,987	52,411,000	6,175	53,850,000	6,275
Total	545,176,035	4,999	517,061,000	6,201	500,150,000	6,301
Deduct allotments to other agencies	26,979	3	28,000	2	28,000	2
Net	545,149,056	4,996	517,033,000	6,199	500,122,000	6,299

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Item	Actual 1965		Estimated Available, 1966		Budget Estimate 1967	
	Amount	Man- Years	Amount	Man- Years	Amount	Man- Years
Obligations under other:						
USDA appropriations:						
Soil Conservation						
Service:						
Watershed protection:	5,357,977	22	7,300,000	55	5,000,000	43
Flood prevention .	368,222	4	1,000,000	8	1,000,000	8
Resource conserva-						
tion and develop-						
ment	142,883	20	900,000	12	1,957,000	12
Total, Other USDA:						
appropriations	5,869,082	46	9,200,000	75	7,957,000	63
Total, Agricultural						
Appropriation Bill ...	551,018,138	5,042	526,233,000	6,274	508,079,000	6,362
Other Funds:						
Forest Service, Timber						
development organiza-						
tion loans and techni-						
cal assistance	- -	- -	600,000	6	700,000	6
State rural rehabilita-						
tion corporations						
(loans and expenses)	1,594,188	6	1,792,000	- -	1,790,000	- -
Emergency credit						
revolving fund	83,224,645	557	80,837,708	624	68,955,000	559
Deduct allotment to						
other agencies	22,000	3	22,500	3	23,000	3
Net, emergency credit:						
revolving fund	83,202,645	554	80,815,208	621	68,932,000	556
Economic Development						
Administration, Dept.						
of Commerce--operations:	307,914	17	85,000	12	- -	- -
Agency for Internation-						
al Development:						
Training of foreign						
participants	138,495	10	143,000	10	143,000	10
Technical consultation:	1,500	- -	7,000	1	7,000	1
Special projects ...	155,647	8	424,000	20	424,000	20
Total, Agency for						
International						
Development	295,642	18	574,000	31	574,000	31
Office of Economic						
Opportunity:						
Loans to low income						
farm families	18,733,800	- -	28,000,000	- -	28,000,000	- -
Loans to cooperatives:						
in low income rural						
areas	929,200	- -	5,000,000	- -	5,900,000	- -
Administrative						
expenses	1,727,250	200	2,000,000	241	2,000,000	238
Total, Office of						
Economic						
Opportunity	21,390,250	200	35,000,000	241	35,900,000	238

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Item	Actual		Estimated		Budget Estimate	
	1965		Available, 1966		1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Funds Appropriated to President:						
Southeast Hurricane Disaster	- -	- -	9,750,000:	- -	- -	- -
Miscellaneous reimbursements	174,626:	20:	350,000:	35:	350,000:	35
Total, other funds	106,965,265:	815:	128,966,208:	946:	108,246,000:	866
Total, Farmers Home Administration c/	657,983,403:	5,857:	655,199,208:	7,220:	616,325,000:	7,228

a/ Includes \$50,000,000 reserve authorization for use as needed for the orderly development of the program.

b/ Excludes appropriations for "Rural Housing for the Elderly Revolving Fund" of \$5,000,000 in 1965 and \$2,500,000 in 1966. This appropriation was transferred into the Rural Housing Direct Loan Account.

c/ Excluded from this total are insured loans as follows:

	Actual 1965	Estimated 1966	Estimated 1967
Agricultural Credit Insurance Fund (Real estate loans)	200,944,160	345,950,000	360,000,000
Rural Housing Insurance Fund	- -	309,050,000	375,000,000
Total, Insured Loans	200,944,160	655,000,000	735,000,000

(a) Direct Loan Account

	Loan Authorizations		
	Real Estate Loans	Operating Loans	Total
Available authorizations, 1966	\$75,000,000	\$300,000,000	\$375,000,000
Budget Estimate, 1967	97,100,000	300,000,000	397,100,000
Increase	<u>+22,100,000</u>	<u>- -</u>	<u>+22,100,000</u>

SUMMARY OF INCREASES AND DECREASES

	1966 Available	Increase or Decrease	1967 Estimate
Farm ownership loans	\$45,000,000	-\$40,000,000	\$5,000,000
Land conservation and development loans	---	+7,100,000	7,100,000
Soil and water loans	30,000,000	+55,000,000	85,000,000
Operating loans	<u>300,000,000</u>	<u>- -</u>	<u>300,000,000</u>
Total	<u>375,000,000</u>	<u>+22,100,000</u>	<u>397,100,000</u>

PROJECT STATEMENT

Project	1965	1966 (estimated)	Increase or Decrease	1967 (estimated)
<u>Loan authorizations:</u>				
1. Real estate loans:				
(a) Farm ownership loans	\$44,999,990	\$45,000,000	-\$40,000,000(1)	\$5,000,000
(b) Land conserva- tion and develop- ment loans	7,100,000	---	+7,100,000(2)	7,100,000
(c) Soil and water loans	14,999,683	30,000,000	+55,000,000(3)	85,000,000
Subtotal, real estate loans	67,099,673	75,000,000	+22,100,000	97,100,000
2. Operating loans ..	300,000,000	300,000,000	---	300,000,000
Total loan authori- zations	367,099,673	375,000,000	+22,100,000	397,100,000
Unobligated loan authorization lapsing 1965	327	---	---	---
Total, loan authoriza- tions and appropria- tion	<u>367,100,000</u>	<u>375,000,000</u>	<u>+22,100,000</u>	<u>397,100,000</u>

a/ The 1965 amount includes the supplemental appropriation of \$7,100,000 made in 1965 for the Appalachian program. All of the amount is being obligated in 1966.

The preceding statement reflects increases and decreases on the basis of authorization in Appropriation Acts. The following tabulation shows estimated obligations for each activity, including balances brought forward from prior year.

Project	1965	1966 (estimated)	Increases or Decreases	1967 (estimated)
Loan authorizations:				
1. Real estate loans:				
(a) Farm ownership loans	\$44,999,990	\$10,000,000	-\$5,000,000	\$5,000,000
(b) Land conservation and development loans	---	7,100,000	---	7,100,000
(c) Soil and water loans	14,000,683	30,000,000	+55,000,000	85,000,000
Subtotal, real estate loans	59,999,673	47,100,000	+50,000,000	97,100,000
2. Operating loans	300,000,000	250,000,000	+50,000,000	300,000,000
Total obligations	359,999,673	297,100,000	+100,000,000	397,100,000
Unobligated balance lapsing	327	85,000,000	-85,000,000	---
Total available or estimate	360,000,000	382,100,000	+15,000,000	397,100,000

INCREASES AND DECREASES

An increase of \$22,100,000 in loan authorizations consisting of:

(1) A decrease of \$40,000,000 for direct farm ownership loans. The 1966 appropriation act provided \$45,000,000 for direct farm ownership loans. In view of the increased authority available for insured loans, it is estimated that direct farm ownership loans will be \$10,000,000 in 1966. The 1967 budget proposes direct loans of \$5,000,000. It is expected that the demand for farm ownership loans in 1967 can be met through the use of the insured loans authorized by P.L. 89-240. It is estimated that direct and insured loans for this purpose in 1967 will total \$235,000,000, the same level which ~~is~~ estimated will be made in 1966.

(2) An increase of \$7,100,000 for land conservation and development loans. This increase is requested to continue the loan program for land stabilization, conservation and erosion control practices in the Appalachian region. The Second Supplemental Appropriation Act, 1965 (approved April 30, 1965), provided an appropriation of \$7.1 million for this purpose. Due to the lateness of the appropriation and the fact that state programs of work were not yet approved, as required by the Appalachian Regional Development Act of 1965, no funds were used in 1965. However, it is expected that this amount will be fully utilized in 1966 for loans to (a) improve and protect the land from erosion; (b) promote better utilization of land and water resources; (c) stabilize the agricultural economy of the region; and (d) supplement the cost-share grants authorized by section 203 of P.L. 89-4. It is expected that the 1967 program will continue at the same level as 1966.

(3) An increase of \$55,000,000 for direct soil and water loans. The 1966 appropriation act provided \$30,000,000 for this purpose. The increase of \$55,000,000 for 1967 is needed for soil and water association loans to public bodies. Public Law 89-240 increases the single association loan limit to \$4,000,000 and permits loans for waste disposal facilities which have greatly increased the demand for loans to public bodies, including both direct and insured loans in 1967 which will total \$83,000,000 -- an increase of \$20,000,000 above the total of such loans in 1966.

(4) The authorization for farm operating loans in 1967 is continued at the \$300,000,000 level authorized in the 1966 appropriation act. Loan obligations in 1966 are estimated at \$250,000,000. The 1967 estimate is thus an increase of \$50,000,000 above loans estimated to be made in 1966.

The following tabulation reflects the status of the Farmers Home Administration Direct Loan Account:

	<u>1965</u>	<u>1966</u> <u>estimated</u>	<u>1967</u> <u>estimated</u>
Balance available from prior years	\$110,748,551	\$70,330,355	\$99,744,355
Appalachian Region Appropriation	7,100,000	---	---
Loan collections	<u>324,971,496</u>	<u>342,514,000</u>	<u>333,942,000</u>
Total available	442,820,047	412,844,355	433,686,335
Loan obligations or authori- zations	-359,999,674	-297,100,000	-397,100,000
Payments of interest on notes to the Treasury	-13,806,158	-16,000,000	-23,300,000
Adjustment of prior year obligations	<u>+1,316,140</u>	<u>---</u>	<u>---</u>
Balance available in subsequent years	<u>70,330,355</u>	<u>99,744,355</u>	<u>13,286,355</u>

STATUS OF PROGRAM

Direct real estate and operating loans are made from the FHA Direct Loan Account established pursuant to the Consolidated Farmers Home Administration Act of 1961. In addition to direct loans, insured real estate loans are authorized and made under subtitle A of the Act through the Agricultural Credit Insurance Fund discussed elsewhere in these justifications.

Subtitle A - Real Estate Loans

This subtitle contains the authorizations for both insured and direct farm ownership loans and insured and direct soil and water loans to individuals and to associations. Soil and water loans to individuals are continued as a separate type of loan because the law sets forth eligibility requirements for these loans which include but are broader than the eligibility requirements for farm ownership loans. In many other respects, however, soil and water loans to individuals and farm ownership loans to individuals are subject to the same authorizations and limitations but not purposes. Direct land conservation and development loans to individuals are made in the Appalachian region to establish and carry out land stabilization, conservation and erosion control practices.

Farm Ownership Loans

Farm ownership loans accompanied by supervisory assistance in farm and financial management are needed to preserve and improve the family farm pattern of American agriculture and to strengthen the economic fiber of rural communities.

1. Farm ownership loans are used for:

- A. Maintaining Adequate Family Farms: Owner-operators on this group of farms who are eligible for loans continue to need farm ownership loan assistance. In most cases this assistance will be needed to help these families restructure their debts. Too many family farm operators have entered into land purchase contracts which contain repayment schedules that are not adapted to the productive capacity of the land. Others need to utilize their real estate equities to refinance top-heavy short-term debts. In some instances the owner-operators need real estate credit assistance to make further adjustments in their operations to keep up with advances in agricultural technology, better utilize their land and labor resources and meet changing market requirements.
- B. Development of Inadequate Farms: One of the major functions of the farm ownership loan program is to assist farmers in the development and enlargement of inadequate farms. Farmers eligible for these loans need assistance in combining small tracts of land, making basic soil improvements, establishing permanent pastures, improving or constructing dwellings and essential farm buildings, and taking other measures to increase the efficiency and income-producing capacity of their holdings.
- C. Part-Time Farmers: Farmers eligible for these loans who are operating their farms on a part-time basis need farm ownership loan assistance to increase the income they receive from farming. Many of these part-time farmers have stable nonfarm income and need only a modest boost in farm income to achieve a reasonable standard of living. Loans to finance income-producing recreational enterprises also help some part-time farmers make more productive use of their labor.

2. Eligibility: Farm ownership loans are made to farmers and ranchers who (1) are citizens of the United States, (2) have a farm background and either training or farming experience which is determined to be sufficient to assure reasonable prospects of success in the proposed farming operations, (3) are or will become owner-operators of not larger than family farms, and (4) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time.
3. Size of Loans:
 - A. A farm ownership loan cannot exceed the lesser of (1) \$60,000 including the unpaid indebtedness against the farm or other security, (2) the normal value of the farm and any additional security, or (3) the loan amount certified by the county committee.
4. Terms of Loans: Farm ownership loans are repayable in not more than forty years and bear interest at 5 percent, except those which involve the development of family farm forestry enterprises which bear 3 percent interest.
5. Loan Purposes: Farm ownership loans are made for: acquiring, enlarging or improving farms, including farm buildings; land and water development, use and conservation; forestry development; development of recreational facilities; and for refinancing existing indebtedness.
6. Security: By administrative regulations, any loan of more than \$2,500 and any loan to be paid in more than 10 years must be secured by a mortgage on the farm and such additional security as is deemed necessary. Any loan of not more than \$2,500 to be paid in not more than 10 years may be secured by either a mortgage on the farm or by other real estate or chattel security. Appraisals of security are made on a normal value basis.
7. State Distribution of Loan Funds: The Act provides that at least 25 percent of the sums authorized in any fiscal year for direct real estate loans to individuals, including the sum of the funds available for both farm ownership and soil and water loans to individuals, will be allocated equitably among the several states and territories on the basis of farm population and prevalence of tenancy.
8. Veterans' Preference: Applications from veterans for farm ownership loans are given preference over applications from nonveterans. Such preference is defined by statute to apply to those applications on file in any county or area office at the same time.
9. Insured Loans: The Consolidated Farmers Home Administration Act of 1961, as amended, provides annual insurance authority of \$450,000,000 for insured real estate loans. The statute authorizes returns to lenders of not more than 5 percent interest and authorizes the Farmers Home Administration to agree to repurchase the notes from lenders.

Status of Direct and Insured Farm Ownership Loans

A total of \$44,999,990 was obligated for direct farm ownership loans in 1965 from the \$60,000,000 authorization available for both direct farm ownership and soil and water loans. In addition, insured farm ownership loans during

the year totaled \$137,591,300 from the \$200,000,000 annual authorization for both insured farm ownership and soil and water loans. Direct and insured farm ownership loans totaled \$182,591,290 in 1965.

The Appropriation Act for 1966 provides authority to use \$75,000,000 from funds available in the direct loan account for real estate loans including direct farm ownership loans. It is anticipated that \$10,000,000 of this amount will be used for farm ownership loans in 1966. In addition, insured loan authority is available for making farm ownership loans.

1. Use of Loan Funds: The following tabulation shows a breakdown for direct and insured farm ownership loans for fiscal years 1965 and 1966:

- (1) Maintain adequate family farming operations - loans to help established farmers who have adequate land resources but need to consolidate, extend or adjust their real estate debts to retain ownership of their farms.
- (2) Inadequate to adequate family farming operations - loans to help farmers on small inadequate farms who need to enlarge or develop their farms and make major adjustments in their farming operations to become successful owner-operators of adequate family farms.
- (3) Farmers conducting other than adequate family farming operations - loans to owner-operators of part-time farms who need to obtain additional farm income which, together with income from other sources, will provide them with a reasonable standard of living. Many of these part-time farmers have stable nonfarm income and such loans will help them achieve a reasonable standard of living with a modest increase in farm income.

<u>Farm Ownership Loans</u>	<u>Fiscal Year 1965</u>		<u>Fiscal Year 1966 (Est.)</u>	
	<u>Number</u>	<u>Amount</u> (millions)	<u>Number</u>	<u>Amount</u> (millions)
<u>Direct and Insured Initial Loans:</u>				
(1) Maintain adequate family farming operations	4,311	\$ 87.4	6,622	\$130.3
(2) Inadequate to adequate family farming operations	1,115	22.1	1,830	31.3
(3) Farmers conducting other than adequate family farming operations	4,463	52.8	5,148	68.4
Total, Initial Loans . . .	9,889	162.3	13,600	230.0
<u>Direct and Insured Subsequent Loans:</u>				
	2,297	20.3	600	5.0
TOTAL, INITIAL AND SUBSEQUENT LOANS	12,186	\$182.6	14,200	\$235.0

2. Applications: A total of 37,722 applications for new farm ownership loans were received in 1965. At the end of the year, 15,030 applications were on hand.

3. Loans:

A. Direct Loans: Since inception of the program in 1938 to June 30, 1965, approximately 83,331 loans for more than \$768,780,670 have been made. This number and amount does not include non-cash loans previously made in the liquidation of rural rehabilitation project properties which are also included as farm ownership loans on the loan accounts of the Administration. In the 1965 fiscal year, direct loan activity totaled \$44,999,990. Initial loans were made to 2,525 families in the amount of \$38,940,150. Subsequent loans to 857 existing borrowers and loan cost items accounted for the balance of \$6,059,840.

B. Insured Loans: During 1965, insured loan activity totaled \$137,591,300. Initial loans were made to 7,360 families in the amount of \$123,355,820. Subsequent loans to 1,444 existing borrowers and loan cost items accounted for the balance of \$14,235,480.

C. Direct and insured initial loan activity for the past five fiscal years is shown on the following tables:

Initial Loans

<u>Fiscal Year</u>	<u>Total Direct Initial Loans</u>		<u>Total Insured Initial Loans</u>	
	<u>Number</u>	<u>Amount (millions)</u>	<u>Number</u>	<u>Amount (millions)</u>
1961	1,712	\$28.0	1,677	\$ 23.9
1962	2,354	36.7	8,513	137.5
1963	2,092	30.5	11,074	179.8
1964	2,145	34.3	8,814	149.1
1965	2,525	38.9	7,360	123.4

Total Direct and Insured Initial and Subsequent
Farm Ownership Loans

<u>Fiscal Year</u>	<u>Direct Loans (millions)</u>	<u>Insured Loans (millions)</u>	<u>Total Loans (millions)</u>
1961	\$31.7	\$ 24.9	\$ 56.6
1962	39.7	141.9	181.6
1963	32.5	187.3	219.8
1964	38.8	165.9	204.7
1965	45.0	137.6	182.6

4. Loan Repayments:

A. Direct Loans: From the inception of the farm ownership program in 1938 through March 31, 1965 (the latest maturity date in 1965), a total of 88,834 families had been advanced \$760,844,984 for the purchase, enlargement and development of farms including the refinancing of existing indebtedness (these amounts include non-cash loans previously made in the liquidation of rural rehabilitation project properties which are also included as farm ownership loans on the loan accounts of the Administration, and other non-cash loans resulting from the sale to approved applicants of properties received through liquidation of other loans). Principal payments of \$442,481,154 and interest payments of \$179,806,051 had been made. In addition, principal write-offs totaled \$3,410,344 and judgments were \$856,971. A total of 58,373 of the 88,834 families who had received loans had paid their loans in full as of March 31, 1965. Of the number 33,999 or about 58 percent, continued to operate the farms acquired or improved through this program. The remaining 24,374 fully satisfied their accounts, but no longer operated the farms.

As of March 31, 1965, cumulative scheduled installments of \$147,352,984 were due from 30,461 individuals with outstanding loan balances, but regular principal and interest payments made on these installments were \$150,616,313, which was 2 percent, or \$3,263,329 more than required on a scheduled amortization basis. An additional \$9,904,682 in refunds and extra payments not applied to scheduled installments were credited to these borrowers' accounts. On the same date, 15,090 borrowers were \$9,674,828 ahead of schedule, an average of \$641 each; 11,117 were on schedule; and 4,254 were behind schedule \$6,411,499, an average of \$1,507.

B. Insured Loans: As of March 31, 1965, \$883,412,816 had been advanced under the insured loan program to 59,717 farm families for the purchase, enlargement and development of farms including some loans primarily for the refinancing of existing indebtedness. Payments by insured loan borrowers totaled \$283,481,352 as of the same date. Of this amount, \$158,660,054 represented principal payments, \$100,399,086 payments on interest, and \$23,822,200 payments to the insurance fund. In addition, principal write-offs totaled \$416,343 and judgments were \$183,669. As of March 31, 1965, 10,281 borrowers had paid their loans in full. Of those with unpaid balances, 20,082 were ahead of schedule, 23,399 were on schedule. The amounts of advances and payments do not include \$5,862,119 which represents refinancing of existing farm ownership loan indebtedness when subsequent loans were being made and the outstanding indebtedness was taken up in the new note.

5. Progress of Borrowers: The progress being made by still indebted farm ownership borrowers after five years of operation is illustrated by the averages contained in the following table:

<u>Item</u>	<u>Year Before Receiving Loan</u>	<u>1964 Crop Year</u>	<u>Percent Increase</u>
Total acres	327	394	20
Crop acres	165	187	13
Gross cash income	\$ 9,383	\$17,410	86
Cash farm operating expenses	5,259	10,521	100
Gross cash income less operating expenses . . .	4,124	6,889	67
Gross cash income less operating and cash family living expenses	2,328	4,189	80
Net worth	\$17,746	\$25,195	42

Table I - Farm Ownership Initial Loans: Total Initial Loan Applications and Number of Initial Direct and Insured Loans,
1964 and 1965 Fiscal Years and Cumulative from Inception of Program

State and territory	1964 fiscal year				1965 fiscal year				1966 fiscal year				Direct loans made 1938 through 1965 fiscal years				Insured commitments 1948 through 1965 fiscal years			
	Number of loan applications		Number of		Number of loan applications		Number of		Number of loan applications		Number of		Number		Average amount		Number		Average amount	
	On hand beginning of year	Received during year	Total for consideration	of direct loans made	On hand beginning of year	Received during year	Total for consideration	On hand end of period	On hand beginning of year	Received during year	Total for consideration	On hand end of period	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount
U. S. Total.....	12,947	35,861	48,808	2,145	8,814	37,722	51,055	15,030	2,525	7,350	83,331	99,185	59,735	\$15,221	14	13	14	15		
Alabama.....	293	864	1,157	64	147	292	1,075	354	89	185	4,936	6,408	1,484	10,161						
Alaska.....	6	6	12	0	0	6	12	2	0	0	27	26,962	5	25,941						
Arizona.....	14	68	82	9	18	20	66	17	5	14	159	15,244	150	23,377						
Arkansas.....	383	1,838	2,221	135	523	405	2,036	588	172	461	4,381	5,998	2,986	8,582						
California.....	123	411	534	15	76	133	394	102	16	50	661	14,037	411	21,090						
Colorado.....	358	559	917	50	127	302	569	307	32	86	649	16,941	865	24,526						
Connecticut.....	10	34	44	1	3	6	29	35	0	3	54	11,444	26	14,151						
Delaware.....	18	47	65	0	6	16	36	15	4	4	107	9,105	35	15,245						
Florida.....	129	378	507	23	83	149	142	141	21	62	794	8,496	726	12,110						
Georgia.....	420	1,282	1,702	109	311	423	1,402	461	101	274	6,125	6,490	2,159	11,805						
Hawaii.....	24	27	51	0	10	10	23	13	1	3	339	8,638	147	14,443						
Idaho.....	173	504	677	59	151	184	600	257	66	130	1,349	15,383	1,012	18,242						
Illinois.....	224	990	1,214	48	246	242	942	314	63	200	1,535	12,502	1,319	18,652						
Indiana.....	236	617	853	33	120	206	616	822	31	93	1,248	12,044	1,041	18,241						
Iowa.....	438	1,197	1,635	90	368	469	1,211	445	84	309	1,699	14,232	2,156	21,885						
Kansas.....	448	903	1,351	44	253	464	892	423	74	180	1,627	12,037	1,642	16,703						
Kentucky.....	336	1,111	1,447	66	226	439	1,451	539	85	276	1,800	10,644	1,294	15,407						
Louisiana.....	224	515	739	32	181	193	540	202	42	137	2,476	7,614	1,289	10,481						
Maine.....	219	658	877	57	167	265	595	253	52	131	467	11,126	1,210	13,482						
Maryland.....	47	84	131	8	19	22	78	33	5	8	447	9,448	162	12,347						
Massachusetts.....	9	40	49	4	7	7	43	50	2	3	117	9,444	27	11,530						
Michigan.....	233	679	912	22	127	205	704	233	21	98	1,140	9,154	1,188	16,442						
Minnesota.....	568	1,652	2,220	118	438	511	1,690	634	65	425	3,068	7,903	2,607	13,886						
Mississippi.....	798	1,627	2,068	71	551	526	1,662	599	141	370	5,739	7,036	3,198	8,664						
Missouri.....	741	2,479	3,277	139	561	917	2,250	920	173	454	3,686	9,535	3,686	14,723						
Montana.....	162	458	620	23	158	130	454	156	49	102	670	12,803	952	18,979						
Nebraska.....	578	1,036	1,614	64	270	544	1,702	661	72	259	1,362	16,576	1,463	24,071						
Nevada.....	18	59	77	5	7	12	42	15	2	4	66	16,576	43	24,905						
New Hampshire.....	15	38	53	3	2	17	82	24	5	6	91	11,082	37	14,232						
New Jersey.....	23	137	160	11	35	22	116	27	7	21	351	10,991	353	13,071						
New Mexico.....	75	218	293	8	66	62	326	388	21	53	329	13,279	540	18,522						
New York.....	337	1,184	1,521	75	230	520	1,218	632	51	241	1,024	7,880	1,138	14,445						
North Carolina.....	576	1,708	2,284	125	335	725	2,100	709	170	326	4,673	7,805	2,466	12,518						
North Dakota.....	723	1,254	1,977	84	378	759	1,203	742	32	300	1,339	14,644	3,284	19,708						
Ohio.....	198	570	768	12	94	153	556	153	20	65	1,402	10,683	660	17,259						
Oklahoma.....	597	1,103	1,700	52	262	582	1,126	584	61	191	3,632	7,730	2,000	14,274						
Oregon.....	97	449	546	16	105	118	396	514	120	84	688	11,070	662	17,743						
Pennsylvania.....	175	756	931	23	74	200	620	200	36	54	1,268	8,794	979	12,893						
Rhode Island.....	0	5	5	0	1	0	5	2	0	1	8	11,022	3	10,167						
South Carolina.....	113	462	595	39	79	144	641	785	66	96	3,096	6,456	944	10,640						
South Dakota.....	321	742	1,063	71	342	338	848	383	69	254	1,179	14,870	1,962	20,891						
Tennessee.....	446	1,443	1,889	77	398	510	1,660	704	137	379	1,238	8,437	2,352	13,448						
Texas.....	851	1,380	2,211	60	331	770	1,366	664	106	280	5,674	9,729	2,239	18,967						
Utah.....	146	273	419	19	71	106	311	444	18	40	570	14,364	541	17,744						
Vermont.....	42	131	173	6	16	47	255	302	22	20	269	10,136	110	13,654						
Virginia.....	156	440	596	15	58	145	399	544	23	44	1,378	8,597	722	14,803						
Washington.....	206	763	969	42	182	212	612	824	215	114	1,293	17,259	1,301	18,505						
West Virginia.....	413	461	604	21	62	125	465	610	7	45	601	6,811	517	11,398						
Wisconsin.....	518	1,603	2,121	72	368	538	1,637	677	84	328	2,804	8,230	2,804	13,560						
Wyoming.....	51	213	264	14	78	66	244	310	31	47	459	14,637	419	22,767						
Puerto Rico.....	208	405	613	11	53	217	495	712	266	17	48	6,718	439	11,879						
Virgin Islands.....	0	0	0	0	0	0	0	0	0	0	15	10,451	0	0						

Note: This table includes loans for the purchase, enlargement, development or improvement of farms and loans primarily for refinancing purposes from Federal funds and such loans advanced by private lenders which are insured by the Government.

1/ Average amount of initial and subsequent loans.

Table II - Farm Ownership Direct Loans: Use of Funds - Number of Direct Loan Borrowers and Amount Loaned,
Including Estimated Amount Furnished by the Borrower, 1965 Fiscal Year

State and territory	Number	Loans to new borrowers										Number of loans to indebted borrowers and loan costs 1/	Total amount of loans	
		Amount of funds					Use of funds							
		Loans	Furnished by borrower	Total	Average amount of loan	Purchase of farm and incidental costs	Land development	Buildings other than dwellings	Dwellings, new and repair	Refinancing				
										Real estate	Chattels and unsecured			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
U. S. Total:														
Percent of distribution.				100.0%										
Amount.....	2,525	\$38,940,150	\$2,354,650	\$41,294,800	\$15,122	\$17,192,890	\$2,288,970	\$2,105,030	\$2,955,390	\$13,528,860	\$2,623,660	857	\$6,059,840	\$44,999,990
Alabama.....	89	935,360	38,160	973,520	10,510	402,820	39,810	77,360	106,500	311,550	35,480	39	139,086	1,074,446
Alaska.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Arizona.....	5	91,970	3,290	95,260	18,394	44,620	8,420	1,000	24,450	16,770	0	1	7,564	99,534
Arkansas.....	172	1,210,070	63,830	1,273,900	7,035	291,040	96,960	146,290	181,960	503,530	52,390	80	247,370	1,457,440
California.....	16	375,920	4,690	380,610	23,495	44,300	37,240	5,150	14,380	236,070	46,170	4	63,563	439,483
Colorado.....	32	911,430	64,840	976,270	28,482	493,230	81,570	22,540	47,990	275,390	55,550	15	174,748	1,086,178
Connecticut.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Delaware.....	4	63,270	230	63,500	15,818	24,700	170	27,980	65,610	10,650	0	0	63,270	63,270
Florida.....	21	400,120	5,760	405,880	19,053	66,850	37,830	30,980	65,610	47,750	5	5	42,616	442,736
Georgia.....	101	1,122,760	39,530	1,162,390	11,116	404,270	59,940	115,540	96,110	402,970	83,560	31	235,394	1,358,154
Hawaii.....	1	13,800	0	13,800	13,800	50	0	0	0	13,750	0	0	39	13,839
Idaho.....	66	1,320,510	29,940	1,350,450	20,008	535,150	58,630	35,270	38,940	511,570	170,790	17	200,741	1,521,251
Illinois.....	63	1,286,410	146,680	1,433,090	20,419	713,430	78,390	29,860	43,700	464,350	103,360	23	236,476	1,522,886
Indiana.....	31	613,510	71,070	684,580	19,791	363,470	5,450	6,340	10,300	259,850	39,170	9	106,840	780,350
Iowa.....	84	2,044,650	194,100	2,238,750	24,341	1,200,850	99,940	85,330	64,320	689,520	96,790	16	202,525	2,247,175
Kansas.....	74	1,412,250	132,280	1,544,530	19,084	810,340	83,660	31,630	40,180	390,780	187,940	16	173,415	1,585,665
Kentucky.....	85	1,253,070	68,890	1,321,960	14,712	666,230	78,100	57,590	146,250	493,370	80,440	9	82,873	1,335,943
Louisiana.....	42	484,630	15,790	500,420	11,539	196,280	44,970	22,760	27,840	185,470	23,100	32	210,054	694,684
Maine.....	52	766,030	36,200	802,230	14,731	422,600	0	192,340	19,070	131,570	36,550	35	247,332	1,013,362
Maryland.....	5	69,980	990	70,970	13,996	11,290	780	53,420	2,680	2,800	0	2	4,455	74,436
Massachusetts.....	2	33,490	0	33,490	16,745	4,400	2,160	5,850	0	16,330	4,750	1	2,697	36,187
Michigan.....	21	444,920	20,650	465,570	21,187	205,550	5,110	54,390	16,140	179,630	4,550	12	68,527	513,447
Minnesota.....	65	973,000	87,490	1,060,490	14,969	390,580	15,630	35,220	15,200	487,640	116,220	35	195,268	1,168,268
Mississippi.....	141	1,130,120	27,770	1,157,890	8,015	310,340	79,940	53,500	323,620	366,750	23,740	57	189,125	1,319,245
Missouri.....	173	2,535,060	210,600	2,745,660	14,654	1,317,850	248,910	88,580	301,650	699,550	89,120	58	431,552	2,966,612
Montana.....	49	865,780	40,150	905,930	17,669	264,820	48,520	42,000	19,330	416,180	115,080	9	87,237	953,017
Nebraska.....	72	1,736,680	170,840	1,907,520	24,121	1,264,100	51,270	25,040	25,110	367,610	174,360	12	139,280	1,875,960
Nevada.....	2	73,000	0	73,000	36,500	42,050	4,700	500	0	18,160	7,590	1	9,496	82,496
New Hampshire.....	5	52,100	250	52,350	10,420	18,750	0	2,720	500	24,700	5,680	1	4,495	56,295
New Jersey.....	7	95,300	12,900	108,200	13,614	47,310	1,700	4,500	12,900	38,580	3,210	1	17,905	113,205
New Mexico.....	21	391,300	7,650	398,950	18,633	86,700	52,740	2,130	40,440	189,830	27,140	4	26,118	447,418
New York.....	51	704,940	6,840	711,780	13,822	290,730	10,010	51,720	26,260	222,040	111,020	8	36,475	741,415
North Carolina.....	170	1,725,870	66,370	1,792,240	10,152	593,020	103,250	112,810	266,240	596,640	120,280	60	293,040	2,118,910
North Dakota.....	32	782,130	40,180	822,310	24,442	9,800	9,800	26,020	76,370	196,730	40,300	27	251,736	1,033,866
Ohio.....	20	400,060	23,070	423,130	20,003	143,660	11,780	10,730	12,530	207,790	35,620	4	24,745	424,805
Oklahoma.....	61	750,030	51,810	801,840	12,296	330,580	68,310	20,320	80,190	243,840	58,600	25	175,261	925,291
Oregon.....	26	488,520	2,940	491,460	18,789	34,120	14,220	18,350	3,880	399,640	21,250	10	98,367	586,887
Pennsylvania.....	36	649,110	31,520	680,630	18,031	230,010	14,240	58,250	15,240	271,830	91,060	17	93,344	742,454
Rhode Island.....	0	0	0	0	0	0	0	0	0	0	0	1	2,000	2,000
South Carolina.....	66	545,250	27,400	572,650	8,261	194,110	35,340	10,470	88,480	196,520	47,730	18	98,065	643,315
South Dakota.....	69	1,576,660	110,070	1,686,730	22,850	849,450	32,860	22,830	22,830	580,870	188,120	27	310,793	1,887,453
Tennessee.....	137	1,666,010	65,750	1,731,760	12,161	684,030	131,750	83,270	210,570	565,590	56,370	27	155,313	1,821,325
Texas.....	106	2,337,680	206,260	2,543,940	22,054	1,344,790	269,810	67,600	115,790	710,740	38,210	19	113,045	2,450,725
Utah.....	18	285,200	10,040	295,240	15,844	118,200	3,500	1,780	10,800	159,540	1,420	10	60,465	345,705
Vermont.....	22	361,370	5,740	367,110	16,426	91,710	25,140	42,020	13,300	181,460	13,480	3	28,552	389,922
Virginia.....	23	271,760	3,030	274,790	11,816	109,410	18,190	11,250	29,490	89,790	16,750	5	53,192	324,952
Washington.....	48	1,091,590	30,320	1,121,910	22,741	351,960	167,550	39,900	145,070	320,380	97,050	26	304,020	1,395,610
West Virginia.....	7	63,990	7,440	71,430	11,999	57,890	4,600	3,300	4,150	21,790	0	3	8,021	92,011
Wisconsin.....	84	1,443,870	105,800	1,549,670	16,632	751,940	27,800	193,810	27,510	480,750	37,860	33	244,518	1,628,388
Wyoming.....	31	887,350	57,810	945,160	28,624	704,850	12,740	12,260	41,310	131,670	42,330	5	34,364	921,744
Puerto Rico.....	17	212,270	7,290	219,560	12,486	1,250	25,800	50,200	80,300	57,110	4,900	4	57,117	269,387
Virgin Islands.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0

1/ "Loan costs" represent the amounts advanced to borrowers for such purposes as the payment of taxes, insurance premiums, etc. Loan costs appear opposite two states reporting no number of loans.

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UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

Table III - Farm Ownership Insured Loans: Use of Funds - Number of Insured Loan Borrowers and Amount Loaned, Including Estimated Amount Furnished by the Borrower, 1965 Fiscal year

State and territory	Loans to new borrowers														Loans to indebted borrowers				Total amount of loans
	Amount of funds				Use of funds							Refinancing			Loans to				
	Number	Loans	Furnished by borrower	Total	Average amount of loans	Purchase of farm and incidental costs	Land development	Buildings other than dwellings	Dwellings, new and repair	Refinancing		Number	Amount						
										Real estate	Chattels and unsecured								
1	2	3	4	5	6	7	8	9	10	11	12	13	14						
U. S. Total: Percent distribution. Amounts.....	7,360	\$123,355,820	\$9,461,450	\$132,817,270	\$16,760	\$63,902,600	\$5,717,910	\$6,826,110	\$11,765,150	\$37,503,710	\$7,071,430	1,444	\$14,235,480	\$137,591,300					
Alabama.....	185	2,161,240	110,030	2,271,270	11,682	998,300	112,240	111,530	166,100	176,960	75,840	50	399,120	2,560,360					
Alaska.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0					
Arizona.....	14	308,110	2,960	311,070	22,008	122,100	30,720	28,580	20,860	103,260	5,250	4	38,700	316,810					
Arkansas.....	161	4,278,050	203,860	4,481,910	9,280	1,106,880	218,120	292,520	79,420	1,875,260	194,710	87	584,610	4,882,690					
California.....	50	1,235,710	67,850	1,303,590	24,715	375,110	17,900	56,240	84,090	623,350	111,900	2	28,700	1,264,140					
Colorado.....	86	2,176,720	112,120	2,619,200	28,800	1,515,610	130,270	19,980	74,630	672,280	176,100	19	280,660	2,757,140					
Connecticut.....	3	43,920	18,230	62,150	14,610	36,170	0	25,680	0	28,100	0	2	13,000	56,920					
Delaware.....	4	83,000	41,630	87,630	20,750	53,330	200	6,000	6,000	28,100	0	1	5,100	88,100					
Florida.....	62	928,360	38,780	967,140	14,974	193,970	55,220	24,580	125,400	535,860	32,110	8	112,600	1,045,220					
Georgia.....	274	3,480,280	137,990	3,618,270	12,702	1,040,190	232,520	400,180	692,130	1,089,140	163,510	63	533,930	4,401,210					
Hawaii.....	3	614,000	16,040	80,040	21,333	38,210	1,800	5,500	28,690	5,880	0	1	21,000	85,000					
Idaho.....	130	2,311,990	39,940	2,381,930	18,008	831,790	68,260	74,170	153,090	931,210	322,210	28	345,100	2,686,190					
Illinois.....	200	3,910,440	520,520	4,460,560	19,700	2,856,610	178,720	99,970	251,110	919,150	151,910	33	407,530	4,871,570					
Indiana.....	93	1,760,250	174,270	1,934,520	18,927	1,001,980	18,260	105,110	619,630	613,130	135,760	18	161,680	2,104,230					
Iowa.....	309	8,159,530	1,485,780	9,645,310	26,168	6,645,150	327,070	392,700	307,410	1,681,510	191,070	38	559,690	8,717,620					
Kansas.....	180	3,514,920	149,520	3,664,450	19,527	2,396,120	117,850	62,550	150,900	850,050	355,050	31	345,750	3,860,680					
Kentucky.....	278	4,293,180	311,820	4,705,010	15,811	2,601,710	307,880	143,220	525,900	1,614,790	174,810	23	217,900	4,613,390					
Louisiana.....	137	4,684,750	107,560	4,792,310	11,772	861,370	102,970	135,090	281,980	579,990	43,810	58	489,310	2,102,090					
Maine.....	131	2,081,710	56,630	2,116,340	15,691	871,400	15,350	512,430	68,450	436,510	184,200	48	446,790	2,528,500					
Maryland.....	8	103,750	6,610	110,400	12,974	25,110	250	74,590	6,560	0	1,500	4	36,400	110,190					
Massachusetts.....	3	29,750	20	29,770	9,917	18,270	0	4,510	0	6,990	0	0	0	29,750					
Michigan.....	98	1,915,280	110,450	2,025,730	19,544	776,070	61,120	308,540	70,610	697,190	108,900	21	225,150	2,110,430					
Minnesota.....	425	6,743,270	569,790	7,313,060	15,867	3,346,420	82,170	530,490	385,320	2,420,750	517,510	12	344,660	7,088,130					
Mississippi.....	450	3,496,570	68,360	3,564,930	9,450	1,175,070	98,770	98,770	1,002,680	881,720	31,990	91	501,310	3,997,910					
Missouri.....	374	7,182,420	869,020	7,631,440	15,820	3,977,310	608,960	219,310	916,330	1,776,650	302,860	112	1,126,650	8,311,070					
Montana.....	102	1,967,160	187,500	2,154,660	19,289	878,980	71,780	26,830	86,880	934,970	155,520	20	299,200	2,266,660					
Nebraska.....	259	6,329,300	886,810	7,216,110	24,137	4,993,030	142,150	91,260	116,600	1,483,880	379,220	27	439,590	6,768,890					
Nevada.....	4	131,960	150	132,110	32,990	30,230	0	6,250	14,000	79,110	2,190	0	131,960	131,960					
New Hampshire.....	6	81,100	170	81,270	13,517	56,890	450	7,000	15,730	15,730	0	0	0	81,100					
New Jersey.....	21	334,200	51,230	385,430	15,914	200,340	2,000	6,780	5,500	100,810	69,950	4	28,900	363,100					
New Mexico.....	53	800,020	43,240	843,260	15,095	325,760	68,110	9,900	58,170	326,810	53,880	10	130,250	930,270					
New York.....	3,924,640	201,410	4,026,050	16,285	1,754,090	67,370	506,710	89,400	360,620	2,300,620	360,620	23	125,620	4,050,260					
North Carolina.....	326	4,123,670	247,790	4,671,460	13,570	1,855,110	170,630	262,610	854,830	1,218,730	309,550	55	484,290	4,907,960					
North Dakota.....	300	6,133,330	112,340	6,815,670	21,444	3,817,210	70,780	259,200	834,170	1,040,670	283,310	113	1,320,260	7,751,090					
Ohio.....	65	1,196,090	106,750	1,302,840	18,101	674,550	26,310	55,130	30,510	144,160	101,850	10	80,110	1,276,230					
Oklahoma.....	191	2,998,020	251,700	3,249,720	15,696	1,521,600	262,160	120,650	367,860	848,300	129,150	39	454,680	3,452,700					
Oregon.....	54	1,424,200	143,930	1,568,130	16,955	712,710	125,100	50,710	83,400	851,910	193,270	8	148,110	1,712,310					
Pennsylvania.....	81	926,930	25,640	952,570	17,165	342,070	18,390	96,310	36,750	360,210	94,810	13	121,390	1,048,320					
Rhode Island.....	1	1,052,720	0	1,052,720	10,966	392,140	53,290	17,230	188,700	11,300	0	0	0	1,052,720					
South Carolina.....	96	1,052,720	50,640	1,103,360	10,966	392,140	53,290	17,230	188,700	11,300	0	0	0	1,052,720					
South Dakota.....	254	5,623,900	368,700	5,992,600	22,111	3,158,630	35,660	196,570	174,080	1,884,310	513,320	61	854,620	6,478,520					
Tennessee.....	379	5,311,620	231,750	5,555,370	14,015	2,737,180	183,360	112,480	823,000	1,712,140	111,570	23	186,100	5,797,720					
Texas.....	280	6,262,110	509,780	6,771,920	22,365	3,557,680	681,290	112,270	195,600	1,737,130	92,550	46	584,200	6,816,310					
Utah.....	40	553,050	11,000	564,050	13,826	198,520	23,030	4,550	50,350	244,650	42,950	11	109,910	642,990					
Vermont.....	20	337,660	12,500	350,160	16,880	160,910	13,800	34,830	14,000	96,560	27,890	10	86,020	423,620					
Virginia.....	44	588,580	21,410	609,990	13,377	305,050	15,200	29,860	18,650	172,220	39,010	13	107,070	695,650					
Washington.....	111	2,166,960	100,850	2,517,810	21,201	912,020	244,270	85,900	209,850	908,520	157,250	27	317,380	2,734,310					
West Virginia.....	15	502,680	16,190	518,870	11,171	215,650	30,910	19,160	61,970	153,480	37,670	13	100,310	602,990					
Wisconsin.....	328	5,797,700	391,970	6,189,670	17,676	2,865,370	175,990	778,810	238,870	1,907,620	222,980	57	418,030	6,215,730					
Wyoming.....	47	1,087,960	71,150	1,159,110	23,148	663,030	18,360	12,260	54,510	323,110	68,110	11	152,100	1,240,360					
Puerto Rico.....	48	501,610	11,340	512,950	10,451	19,600	61,780	84,100	230,350	95,100	18,750	6	57,900	559,510					
Virgin Islands.....	0	0	0	0	0	0	0	0	0	0	0	0	0	0					



Note: Includes non-cash advances on sale of rural rehabilitation project farms. Paid up borrowers include those paid through repossession, debt settlement, etc.

1/ Principal write-offs total \$3,410,344 and judgments \$86,971

2/ Does not include interest write-offs in the amount of \$353,263 and interest judgments in the amount of \$98,298.

- 1/ Principal write-offs total \$3,410,344 and judgments \$856,971
- 2/ Does not include interest write-offs in the amount of \$353,263 and interest judgments in the amount of \$98,298.

Table V - Firm Ownership: Insured Loans - Number of Borrowers, Amount Loaned and Payments, Cumulative Through March 31, 1935

State and territory	Total number of borrowers	Total amount loaned	Borrowers paid in full or otherwise satisfied						Borrowers with unpaid balance as of March 31, 1965					
			Number	Credits			Interest payments \$	Number	Scheduled installments (principal and interest)	Total	Principal and interest payments			
				Total	Principal						Amount	Regular and advance payments made on scheduled installments	Extra payments and refunds	
					Payments	Write-offs and judgments								
1	2	3	4	5	6	7	8	9	10	11	12	13		
U. S. Total.....	59,717	\$883,412,816	10,281	\$105,783,519	\$105,183,637	\$600,012	\$22,821,174	49,436	\$114,533,605	\$154,875,529	\$145,766,217	102	\$9,110,312	
Alabama.....	1,504	14,545,697	364	2,634,368	2,633,375	993	595,872	1,110	2,490,913	2,888,296	2,667,014	107	221,282	
Alaska.....	6	130,766	1	17,513	17,513	0	17,513	5	27,926	38,339	21,562	77	15,777	
Arizona.....	150	3,440,939	31	594,204	594,163	41	113,505	119	566,041	558,271	542,150	96	15,121	
Arkansas.....	3,031	25,125,863	548	3,699,595	3,697,472	2,123	3,697,472	327	3,020,879	3,591,209	3,284,836	109	305,373	
California.....	416	8,719,669	89	1,382,985	1,382,776	209	253,205	327	1,130,586	1,067,729	1,017,145	90	70,584	
Colorado.....	864	20,628,955	147	1,940,034	1,927,187	12,847	407,216	717	2,995,915	2,846,394	2,668,653	89	177,741	
Connecticut.....	28	305,406	10	106,636	106,636	0	106,636	18	37,256	62,453	44,459	113	17,994	
Delaware.....	35	515,090	9	80,500	80,500	0	80,500	25	72,334	74,835	66,335	92	8,501	
Florida.....	724	8,516,881	169	1,507,524	1,507,524	3,689	324,047	552	1,480,561	1,537,646	1,529,728	103	107,918	
Georgia.....	2,215	25,094,609	549	4,368,290	4,363,566	24,724	962,020	1,666	3,910,581	4,562,551	4,117,133	105	445,418	
Hawaii.....	149	2,103,998	47	475,419	475,419	0	475,419	102	440,112	519,095	489,781	111	29,315	
Idaho.....	1,034	17,980,551	133	1,685,709	1,680,818	4,891	317,699	90	2,455,990	2,378,030	2,245,664	91	132,366	
Illinois.....	1,313	23,716,047	164	1,883,586	1,883,586	0	1,883,586	1,149	3,127,538	3,464,735	3,313,501	106	151,234	
Indiana.....	1,046	18,581,464	203	2,775,551	2,760,913	14,638	590,478	1,103	3,261,373	3,694,538	3,682,189	109	232,349	
Iowa.....	2,113	44,582,423	248	3,387,322	3,387,280	42	757,517	1,805	6,554,405	7,081,013	6,924,728	106	138,285	
Kansas.....	1,652	26,845,927	335	3,997,853	3,996,561	1,302	940,089	1,317	4,398,687	4,962,846	4,673,885	106	288,951	
Kentucky.....	1,280	19,352,061	135	1,668,360	1,664,256	4,104	325,582	1,115	2,790,154	3,317,441	3,106,029	111	209,412	
Louisiana.....	1,335	13,388,609	232	2,406,572	2,406,572	0	425,860	1,063	2,085,519	2,321,853	2,232,637	108	159,216	
Maine.....	1,201	16,036,497	183	1,839,944	1,750,740	89,204	352,722	1,016	2,688,475	3,241,185	3,019,720	105	221,445	
Maryland.....	136	2,066,753	62	589,451	585,919	3,532	134,331	104	330,047	375,898	363,776	110	12,122	
Massachusetts.....	26	308,266	10	102,907	102,907	0	25,738	16	43,553	48,584	44,009	101	4,575	
Michigan.....	1,174	19,213,845	248	2,644,622	2,644,621	10,161	708,915	928	4,067,393	4,445,963	4,183,461	103	262,522	
Minnesota.....	2,580	34,977,080	288	2,649,380	2,627,686	21,694	507,212	2,292	4,889,687	5,180,119	4,913,923	100	265,196	
Mississippi.....	3,252	17,131,737	592	2,111,737	2,111,737	1,595	823,106	2,660	4,074,368	4,676,157	4,399,627	108	278,530	
Missouri.....	3,698	52,877,862	660	4,244,787	4,244,787	3,308	1,454,676	3,038	8,477,159	9,248,111	8,856,477	105	361,637	
Montana.....	926	17,311,461	115	1,515,323	1,510,636	4,687	304,374	811	2,654,094	2,621,244	2,465,436	93	155,808	
Nebraska.....	1,408	28,787,205	130	1,709,105	1,693,441	15,664	390,201	1,278	3,925,507	4,335,743	4,179,982	106	155,761	
Nevada.....	42	1,017,713	9	167,875	167,875	0	14,075	33	135,508	113,610	106,777	79	5,833	
New Hampshire.....	37	527,218	12	127,364	127,364	2,652	22,954	25	71,513	65,239	77,659	108	7,580	
New Jersey.....	351	4,597,311	91	979,600	931,827	47,773	217,248	260	969,577	1,020,096	917,281	95	102,815	
New Mexico.....	528	9,576,489	125	1,921,290	1,918,890	2,400	412,111	403	1,733,259	1,794,399	1,706,387	98	88,012	
New York.....	1,096	15,920,752	161	1,615,872	1,585,480	30,392	312,337	932	2,027,635	2,251,105	2,014,015	99	237,090	
North Carolina.....	2,460	29,767,458	524	4,530,851	4,529,878	973	934,218	793	4,547,584	5,384,153	5,025,183	110	358,970	
North Dakota.....	313	62,946,099	333	4,906,567	4,899,646	6,921	1,220,811	2,925	12,247,407	12,517,078	11,968,917	98	548,161	
Ohio.....	673	11,340,887	113	1,585,517	1,585,517	19,825	354,662	530	1,925,539	2,175,310	2,055,034	107	120,276	
Oklahoma.....	2,000	27,804,549	380	4,164,326	4,161,129	3,197	797,469	1,620	4,637,628	5,153,913	4,796,757	103	357,155	
Oregon.....	657	12,457,768	78	1,043,258	1,043,258	1,880	239,585	570	1,852,113	1,799,675	1,672,558	90	127,117	
Pennsylvania.....	986	12,457,768	278	2,197,142	2,197,142	19,926	567,632	708	2,565,240	2,897,918	2,650,061	103	247,857	
Rhode Island.....	2	18,500	0	0	0	0	0	0	1,968	2,350	2,350	119	0	
South Carolina.....	927	9,641,388	256	2,094,813	2,094,813	0	447,932	671	1,745,472	1,892,871	1,763,180	101	129,691	
South Dakota.....	1,938	39,424,798	196	2,845,857	2,840,174	5,683	647,944	1,742	6,379,725	6,392,864	6,083,182	95	309,682	
Tennessee.....	2,366	31,077,396	332	3,342,626	3,342,626	1,110	657,243	1,742	4,477,362	5,060,084	4,697,536	105	362,546	
Texas.....	2,220	41,110,927	439	5,039,089	5,031,290	7,799	1,081,687	2,034	5,097,092	6,379,829	5,975,802	101	404,027	
Utah.....	537	9,348,637	55	764,022	764,022	0	177,756	482	1,590,936	1,743,090	1,608,582	101	134,508	
Vermont.....	110	1,367,287	24	231,336	224,754	6,582	45,842	86	186,205	222,430	196,066	105	26,364	
Virginia.....	722	10,573,628	140	1,701,503	1,697,136	4,367	377,750	582	2,200,467	2,428,814	2,175,953	99	252,861	
Washington.....	1,330	23,568,198	189	2,334,274	2,334,274	0	574,946	1,114	4,254,941	4,419,812	4,308,622	92	211,190	
West Virginia.....	544	5,815,667	95	811,169	811,169	0	133,579	419	1,222,311	1,308,192	1,300,223	106	277,949	
Wisconsin.....	2,793	37,316,717	579	5,481,779	5,427,545	54,234	1,326,445	2,244	7,300,440	8,274,925	7,995,377	110	277,558	
Wyoming.....	445	9,320,903	54	642,850	750,780	92,070	154,445	361	1,428,135	1,372,735	1,223,936	86	148,800	
Puerto Rico.....	439	5,129,081	66	665,188	662,236	2,952	105,355	373	885,615	885,743	798,939	90	86,804	
Virgin Islands.....	0	0	0	0	0	0	0	0	0	0	0	0	0	

Note: This table covers loans advanced by private lenders which are insured by the Government and advances from the Agricultural Credit Insurance Fund for loans for later sale and for payment of taxes, insurance premiums, etc. Payments by borrowers on these accounts are included.

1/ Principal write-offs total \$416,343 and judgments \$183,569.

2/ Includes interest on amount loaned by private lenders and insurance and interest payments to the loan insurance fund but does not include \$8,204 interest write-offs and \$11,919 interest judgments.

Soil and Water and Land Conservation and Development
(Appalachia) Loans to Individuals

Real estate loans to individuals authorized by subtitle A of the Consolidated Farmers Home Administration Act of 1961 are classified as soil and water loans to individuals when the applicant's loan needs can be met within the purposes outlined under "Loan Purposes" set forth below. If the applicant's needs also include the acquisition, enlargement, or improvement of a farm or farm buildings, or refinancing of existing indebtedness, the loan is classified as a farm ownership loan. Soil and water loans to individuals are limited to \$60,000 as in the case of farm ownership loans. Soil and water loans to individuals are governed by the same limitations and regulations that apply to direct and insured farm ownership loans with the exception of the broader eligibility criteria noted below. Direct land conservation and development loans to individuals are made in the Appalachian region to establish and carry out land stabilization, conservation and erosion control practices.

1. Eligibility: Soil and water loans to individuals are made and insured to farmers and ranchers who are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. Even though soil and water loans to individuals are governed by the same regulations that apply to farm ownership loans, the following broader eligibility criteria are applicable.

Soil and water loans to individuals are not limited to farm operators. Since the basic intent of the soil and water legislation was to promote conservation, development and better use of soil and water resources, these loans may be made to tenants and to non-operator owners. An applicant does not have to have a farm background, training, or experience to be eligible for a soil and water loan unless the soundness of the loan depends on his farming operations. It is not necessary that an applicant receive a substantial portion of his income from farming after the loan is made. However, the farm improved with soil and water loan funds must provide a substantial portion of the operator's cash income with the following exceptions:

An applicant may receive a soil and water loan to improve a farm on which the agricultural production may be temporarily eliminated. He may, for example, place his entire farm into grass or forest, and the agricultural income from that unit may be eliminated for several years pending the establishment of the range or forest.

A soil and water loan borrower does not have to own or operate a family-sized farm. The unit may be either larger or smaller than a family farm. An applicant for a soil and water loan is not required to divest himself of nonessential real estate. The use of soil and water loan funds is not limited to the development of land which will be on a mortgage securing the loan. The entire loan may be used to develop rented land.

Soil and water loans to individuals do not always have to be secured by real estate. Such loans up to \$25,000 with repayment periods up to 20 years may be secured by chattels. Soil and water loan borrowers need not necessarily be citizens of the United States.

An applicant for a land conservation and development loan must meet the same eligibility requirements as an applicant for a soil and water loan to an individual except that the farm need not produce agricultural commodities for sale.

In addition, the applicant must have entered into a cost-sharing agreement with the Agricultural Stabilization and Conservation Service as a result of the approved state program required in the Appalachian Act.

2. Loan Purposes: Soil and water loans to individuals may be made or insured only for land and water development, use and conservation. These purposes include a variety of items involving domestic water, irrigation and conservation such as terraces, dikes, reservoirs, ponds, tanks, cisterns, wells, pipelines, pumping and irrigation equipment, ditches and canals for irrigation and drainage, waterways, and erosion control structures; also drainage of land which is part of an operating farm unit, land clearing, sodding, subsoiling, land leveling, liming, forestation for sustained yield and tree planting for erosion control or shelter belt purposes.

Land conservation and development loans may be made in the Appalachian Region to establish and carry out land stabilization, conservation, and erosion control practices such as clearing, draining, and preparing land for seeding, sprigging or sodding, or for making basic soil treatments, planting seed or seedlings, terracing, draining, protective fencing, subsoiling or impounding water for erosion control or conservation practices, and paying costs related to land stabilization, conservation, and erosion control, including rental or purchase of special-purpose equipment required for completing such practices. Loans may also include funds for paying expenses incident to obtaining plans and making the loan, such as fees for legal and other technical services which are required to be paid by the borrower and which he cannot pay from other funds.

Soil and Water Loans to Associations

Association loans assist farmers and rural communities to (a) increase the income of the families and rural communities, (b) readjust the use of land so that each acre is used for a purpose which will better serve its community, and (c) create in rural communities the basic amenities that are commonplace in urban areas. Association loans assist farmers and rural residents by providing adequate financing and technical guidance. These loans assist farmers to utilize land unneeded for crop production and improve the economic conditions of all the people living in rural areas. Loans are made to groups of farmers and rural residents, including rural towns, to develop central water supplies, waste disposal systems and recreational facilities, and to assist in the shifting of the use of land for grazing, forestry and other beneficial purposes and thus provide tangible benefits to rural communities. Associations or groups of farmers and rural residents provide the most acceptable method for developing domestic water supplies and waste disposal systems. The best sources of water supply from a quality and purity standpoint are often in remote areas and development is costly. Proper water treatment is a technical field usually beyond the ability of the individual farmers and technological advances have made it possible to develop excellent water, but this also involves operating costs beyond the resources of individuals. Most soil and water loans to associations are made for water development. An increasing number of these loans are made for community recreational developments, and for shifts in land use to forestry and grazing and greater interest than expected has been received for waste disposal systems.

1. Eligibility: Association loans may be made or insured to organizations, including corporations not operated for profit and public and quasi-public agencies, which propose the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use and control of water and the installation or improvement of drainage or waste disposal facilities, and recreational developments, all primarily serving farmers, ranchers, farm tenants, farm laborers, and other rural residents. The organization must be unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant is located for loans for similar purposes and periods of time. The organization must have the legal capacity necessary for constructing, operating, and maintaining the proposed facility and for obtaining, giving security for, and repaying the loan. It must be financially sound and so organized and managed that it will be able to provide efficient service.
2. Size of Loan: Loans to associations may be made under the Consolidated Farmers Home Administration Act of 1961, as amended, provided the association's unpaid principal indebtedness for such loans, together with the amount of any grant assistance, does not exceed \$4,000,000.
3. Terms of Loans: Loans to associations are repayable in not more than forty years and bear interest not in excess of 5 percent. The interest rate on direct loans has been retained at a maximum of $4\frac{1}{2}$ percent; those which involve the development of forestry bear 3 percent interest. Direct or insured loans which involve tax-exempt public bodies now bear $3\frac{3}{4}$ percent interest in qualified areas as determined by the Economic Development Administration; 4 percent outside of such areas. The interest rate on insured loans has been retained at a maximum of 5 percent depending on the rate charged by the insured lender. In some cases the margin of an association's projected income over expenses is so narrow that the lower rate for direct loans is justified in order to insure a sound operation and orderly repayment of the loan.
4. Loan Purposes: Loans to associations may be made to provide for the application or establishment of soil conservation practices, shifts in land use including the development of grazing and forestry, the conservation, development, use, and control of water and the installation or improvement of drainage or waste disposal facilities, and recreational developments.
5. Security: Loans to associations are required to be secured in a manner which will adequately protect the interest of the Government. Such security includes liens on the association's real and personal property, when applicable, first liens on real and personal property acquired with loan funds, exclusive of easements, rights-of-way and water rights, and liens on the interest of the applicant in easements, rights-of-way and water rights used in connection with the facility. Loans to public bodies are ordinarily secured by revenue or general obligation bonds. In cases where additional security is necessary to protect the interest of the Government, individual member's liability agreements and other types of security of this nature may also be taken.
6. Insured Loans: The Consolidated Farmers Home Administration Act of 1961, as amended, provides annual insurance authority of \$450,000,000 for insured real estate loans, including insured soil and water loans to associations. The statute authorizes returns to lenders of not more than 5 percent interest. The insurance endorsement on each insured loan may include an agreement by the Government to purchase the loan after a specified initial period.

Status of Direct and Insured Soil and Water Loans to Individuals and Associations

A total of \$14,999,683 was obligated for direct soil and water loans to individuals and associations in 1965 from the \$60,000,000 authorization available for both direct soil and water and farm ownership loans. In addition, insured soil and water loans to individuals and associations during the year totaled \$62,408,240 from the previous \$200,000,000 annual authorization for both insured soil and water and farm ownership loans. Direct and insured soil and water loans to individuals and associations totaled \$77,407,923 in 1965.

The Appropriation Act for 1966 provides authority to use \$75,000,000 from funds available in the direct loan account for real estate loans including direct soil and water loans to individuals and associations. Of this amount an allowance of \$30,000,000 will be available for direct soil and water loans to individuals and associations during 1966. In addition, insured loan authority is available for making soil and water loans to individuals and associations. The Second Supplemental Appropriation Act, 1965, provided an appropriation of \$7,100,000 for the Farmers Home Administration direct loan account for making land conservation and development loans in the Appalachian Region.

1. Use of Loan Funds: Soil and water loans continued to be made in 1965 primarily for conservation and use of water. The amount of loan funds used strictly for soil conservation purposes was relatively small.

In 1965 about 55 percent of the total amount loaned to individuals was used for improvement or development of irrigation facilities, 7 percent for domestic water supplies, 14 percent for soil conservation practices and other land development, 9 percent for special purpose equipment, 3 percent for drainage, 11 percent for pasture improvement, and 1 percent for water rights and fees. Of the total amount loaned to associations 62 percent was used for domestic water systems, 1 percent for irrigation, 31 percent for soil conservation and shifts in land use, and 6 percent for fees and refinancing.

About the same portion of the total direct and insured loans was made in Southern and Midwestern States in 1964 and 1965. The total amount of direct and insured loans for the fiscal year 1965 in the 17 Western arid and semi-arid States was \$36,555,085. Loans in all other States and territories totaled \$40,852,838.

2. Applications: During 1965, 1,924 applications for new loans from individuals and 1,442 applications from associations were received. On June 30, 1965, there were 603 applications from individuals and 1,516 applications from associations on hand.
3. Number and Amount of Loans: The following table shows the number and amount of both direct and insured soil and water loans made in fiscal year 1965 and estimates for fiscal year 1966. A substantial increase in insured loans to associations is estimated for 1966 compared to 1965.

	Fiscal Year 1965		Fiscal Year 1966 (Estimate)	
	<u>Number</u>	<u>Amount</u> (thousands)	<u>Number</u>	<u>Amount</u> (thousands)
<u>Loans to individuals:</u>				
<u>Initial:</u>				
Direct	391	\$1,385.3	530	\$1,850.0
Insured	<u>277</u>	<u>1,830.9</u>	<u>578</u>	<u>3,750.0</u>
Subtotal	<u>668</u>	<u>\$3,216.2</u>	<u>1,108</u>	<u>\$5,600.0</u>
<u>Subsequent</u>				
Direct	47	\$143.3	50	\$150.0
Insured	<u>29</u>	<u>172.2</u>	<u>42</u>	<u>250.0</u>
Subtotal	<u>76</u>	<u>\$315.5</u>	<u>92</u>	<u>\$400.0</u>
Initial land conserva- tion and development loans	<u>-</u>	<u>-</u>	<u>3,750</u>	<u>\$7,100.0</u>
<u>Loans to associations: 1/</u>				
<u>Initial</u>				
Direct	125	\$13,148.6	242	\$27,000.0
Insured	<u>350</u>	<u>58,853.0</u>	<u>522</u>	<u>114,000.0</u>
Subtotal	<u>475</u>	<u>\$72,001.6</u>	<u>764</u>	<u>\$141,000.0</u>
<u>Subsequent</u>				
Direct	17	\$322.5	58	\$1,000.0
Insured	<u>39</u>	<u>1,552.1</u>	<u>50</u>	<u>2,000.0</u>
Subtotal	<u>56</u>	<u>\$1,874.6</u>	<u>108</u>	<u>\$3,000.0</u>
<u>Total, all loans,</u>				
<u>initial and</u>				
<u>subsequent:</u>				
Direct	580	\$14,999.7	4,630	\$37,100.0
Insured	<u>695</u>	<u>62,408.2</u>	<u>1,192</u>	<u>120,000.0</u>
Total	<u>1,275</u>	<u>\$77,407.9</u>	<u>5,822</u>	<u>\$157,100.0</u>

1/ Initial insured loans to associations for 1966 have been approved above the amount shown in the 1967 Budget estimates by 72 loans for \$20 million. This increase was for insured association loans to public bodies which increased from an estimated 55 loans for \$15 million to 127 loans for \$35 million.

4. Repayments on Loans: Water facilities loans to individuals made prior to September 17, 1954 are on a principal maturity basis with payments scheduled during the year when agricultural income is normally received. Water facilities loans to associations while previously set up on this basis, have been converted to an annual amortized basis. All soil and water loans to individuals and associations are on an amortized basis with annual payments due January 1. The following is the status of accounts reported on the basis of maturities and on an amortized basis as indicated:

Maturity Basis - Paid-up Borrowers and Borrowers Owing Balances

<u>Type of Loan</u>	<u>Loan Advances</u>	<u>Matured Principal</u>	<u>Principal Repayments</u>	<u>Interest Payments</u>	<u>Ratio of Principal Repayments to Matured Principal</u>
	(-----Dollars in millions-----)				
Water facilities to individuals as of June 30, 1965	\$29.8	\$28.9	\$28.6	\$4.0	98.8%

Amortized Basis - Borrowers Owing Balances Only

	<u>Loan Advances</u>	<u>Cumulative Installments</u>	<u>Cumulative Regular Payments</u>	<u>Ratio of Payments to Installments</u>	<u>Extra Payments and Refunds</u>
	(-----Dollars in millions-----)				
Water facilities loans to associations as of January 1, 1965	\$ 6.1	\$ 4.4	\$ 4.5	102%	\$0.1
Soil and water loans to individuals as of January 1, 1965	\$28.8	\$13.2	\$12.1	92%	\$0.8
Soil and water loans to associations as of January 1, 1965	\$77.5	\$ 7.9	\$ 7.4	94%	\$0.5

5. Program Summary: From inception of the soil and water program on September 15, 1954 to January 1, 1965, 12,261 direct and insured loans to individuals had been made. On the same date 6,943 borrowers had paid in full their principal indebtedness of \$31,409,132 and had made interest payments of \$4,976,289, including insured loan charges. Of the 5,318 borrowers receiving loans of \$28,767,791 who still owe balances, 1,137 were ahead of their scheduled payments, 1,212 behind their scheduled payments, and 2,969 were on schedule.

As of January 1, 1965, direct and insured loans had been made to 815 associations. Forty-four associations borrowing \$637,121 were paid in full. Of the 771 associations owing balances 219 associations were ahead of schedule, 95 were behind schedule and 457 were on schedule as of January 1, 1965.

Table I - Soil and Water Loans to Individuals and Groups: Number and Amount of Direct Loans,
1965 Fiscal Year and Cumulative From Inception, September 17, 1954 Through June 30, 1965

State and territory	1965 fiscal year											
	Loans to individuals				Loans to groups				Subsequent			
	Initial		Subsequent		Initial		Subsequent		Subsequent		Subsequent	
	Number	Amount	Average amount	Number	Amount	Average amount	Number	Amount	Number	Amount	Total amount to individuals and groups	Total amount to individuals and groups from Sept. 17, 1954 through June 30, 1965
	1	2	3	4	5	6	7	8	9	10	11	12
U. S. Total.....	391	\$1,385,300	\$3,513	47	\$143,263	125	\$13,148,650	\$105,189	17	\$322,470	\$11,999,683	\$70,892,398
Alabama.....	12	26,400	2,200	0	0	6	1,086,500	181,083	1	20,000	1,132,902	2,905,573
Alaska.....	0	0	0	0	0	0	0	0	0	0	0	17,104
Arizona.....	0	0	0	1	2,851	2	24,350	12,175	0	0	27,201	157,174
Arkansas.....	35	65,200	1,863	2	5,710	6	486,000	81,000	0	0	556,910	882,678
California.....	3	44,800	14,933	4	10,167	1	80,000	80,000	0	0	135,267	1,842,269
Colorado.....	4	42,650	10,662	0	17	0	0	0	1	3,900	46,567	6,168,464
Connecticut.....	0	0	0	0	0	0	0	0	0	0	0	0
Delaware.....	0	0	0	0	0	0	0	0	0	0	0	0
Florida.....	3	8,830	2,943	0	205	4	366,420	91,605	3	32,500	407,955	2,708,912
Georgia.....	2	3,600	1,800	0	0	1	25,000	25,000	0	0	28,600	187,299
Hawaii.....	0	0	0	0	0	0	0	0	0	0	0	0
Idaho.....	1	2,080	2,080	0	152	0	0	0	0	0	0	16,980
Illinois.....	0	0	0	1	900	5	426,000	85,200	0	0	2,232	2,064,184
Indiana.....	0	0	0	0	0	0	0	0	0	0	426,900	664,035
Iowa.....	1	17,000	17,000	0	0	0	0	0	1	72,000	72,000	4,700,968
Kansas.....	6	32,180	5,363	0	0	10	1,039,700	103,970	0	0	1,071,880	2,310,598
Kentucky.....	8	15,710	1,964	0	77	0	0	0	0	0	15,787	1,408,847
Louisiana.....	14	32,860	2,347	0	0	6	453,700	75,617	0	0	486,560	869,647
Maine.....	13	22,800	1,754	0	0	0	0	0	0	0	22,800	18,965
Maryland.....	0	0	0	0	0	0	0	0	0	0	0	186,820
Massachusetts.....	4	9,600	2,400	3	7,700	0	0	0	0	0	17,300	53,040
Michigan.....	0	0	0	0	0	0	0	0	0	0	0	186,815
Minnesota.....	2	5,550	2,775	0	0	0	0	0	0	0	5,550	289,371
Mississippi.....	20	34,470	1,724	10	102	10	617,000	61,700	1	73,000	724,572	2,130,168
Missouri.....	24	56,660	2,361	4	4,220	14	1,812,000	129,429	0	0	1,872,880	2,356,519
Montana.....	7	33,120	4,731	1	1,700	0	0	0	0	0	34,820	1,385,960
Nebraska.....	13	92,010	7,078	1	2,210	0	0	0	0	0	94,220	1,740,320
Nevada.....	1	16,730	16,730	0	201	0	0	0	0	0	16,931	1,740,803
New Hampshire.....	1	1,500	1,500	0	0	0	0	0	0	0	1,500	1,500
New Jersey.....	8	17,100	2,138	1	450	0	0	0	0	0	17,550	238,390
New Mexico.....	8	57,940	7,242	1	4,673	2	145,000	72,500	0	0	207,613	977,328
New York.....	2	5,500	2,750	0	0	0	0	0	0	0	5,500	342,080
North Carolina.....	40	62,620	1,565	3	6,775	1	40,000	40,000	0	0	114,395	1,661,087
North Dakota.....	1	2,160	2,160	2	0	2	93,350	46,675	0	0	95,510	389,045
Ohio.....	0	0	0	0	0	0	0	0	0	0	0	38,220
Oklahoma.....	9	41,590	4,621	5	18,534	15	2,045,530	136,369	0	0	2,105,654	2,924,948
Oregon.....	5	60,400	12,080	2	8,430	0	0	0	0	0	68,830	1,111,916
Pennsylvania.....	3	5,700	1,900	0	0	0	0	0	0	0	5,700	686,936
Rhode Island.....	0	0	0	0	0	0	0	0	0	0	0	0
South Carolina.....	4	7,010	1,752	0	104	1	2,000	2,000	0	0	9,114	385,469
South Dakota.....	6	34,240	5,707	1	7,000	2	389,000	194,500	0	0	430,240	816,488
Tennessee.....	15	20,920	1,395	0	253	15	2,690,600	152,707	0	0	2,311,773	3,068,631
Texas.....	61	289,150	4,738	12	29,550	10	968,400	96,840	9	116,570	1,383,670	13,596,186
Utah.....	9	40,970	4,552	2	17,109	1	35,000	35,000	0	0	93,079	1,676,792
Vermont.....	1	3,000	3,000	0	0	0	0	0	0	0	3,000	3,000
Virginia.....	0	0	0	0	0	1	150,000	150,000	0	0	150,000	316,935
Washington.....	9	130,750	14,528	0	2,033	3	87,100	29,033	0	0	219,883	3,282,816
West Virginia.....	0	0	0	0	0	3	85,000	28,333	0	0	85,000	877,547
Wisconsin.....	12	28,720	2,393	0	0	0	385,000	192,500	0	0	413,720	598,720
Wyoming.....	1	1,350	1,350	0	38	2	16,000	8,000	1	4,500	21,888	1,233,478
Puerto Rico.....	23	27,430	1,193	3	11,800	0	0	0	0	0	39,230	693,581
Virgin Islands.....	0	0	0	0	0	0	0	0	0	0	10,000	0

Notes: Subsequent loan amounts include advances for payment of taxes, insurance premiums, etc. The number of such advances are not reported. This accounts for instances where subsequent amounts but no numbers are reported.

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Table II - Soil and Water Loans to Individuals and Groups: Number and Amount of Insured Loans, 1965 Fiscal Year and Cumulative From Inception, September 17, 1954 Through June 30, 1965

State and territory	1965 fiscal year												Total amount to individuals and groups from Sept. 17, 1954 through June 30, 1965
	Loans to individuals				Loans to groups				Subsequent				
	Initial		Subsequent		Initial		Subsequent		Initial		Subsequent		
	Number	Amount	Average amount	Number	Amount	Number	Amount	Average amount	Number	Amount	Number	Amount	
U. S. Total.....	277	\$1,830,860	\$6,610	29	\$172,280	350	\$58,852,960	\$168,151	39	\$1,552,110	11	\$62,408,210	\$118,373,615
Alabama.....	4	20,630	5,158	0	0	6	396,000	66,000	1	3,000	0	0	1,695,670
Alaska.....	0	0	0	0	0	0	0	0	0	0	0	0	3,900
Arizona.....	2	10,500	5,250	0	5,000	0	0	0	0	0	15,500	0	2,935,185
Arkansas.....	39	208,620	5,349	2	6,700	9	870,750	96,750	1	5,500	1	1,091,570	2,919,230
California.....	5	75,030	15,006	0	0	2	357,500	178,750	0	0	0	432,530	2,344,176
Colorado.....	6	76,610	12,768	0	0	17	7,424,420	436,731	2	186,100	7,687,130	0	12,990,975
Connecticut.....	0	0	0	0	0	0	0	0	0	0	0	0	64,150
Delaware.....	0	0	0	0	0	0	0	0	0	0	0	0	21,790
Florida.....	4	17,500	4,375	0	0	9	2,401,600	266,844	1	7,500	2,426,600	0	5,056,884
Georgia.....	3	12,070	4,023	0	0	4	186,200	46,550	0	0	198,270	0	2,112,805
Hawaii.....	0	0	0	0	0	0	0	0	0	0	0	0	69,830
Idaho.....	2	11,830	5,915	2	15,840	5	467,450	93,490	0	0	485,120	0	1,872,120
Illinois.....	1	4,400	4,400	0	0	2	420,000	210,000	0	0	420,000	0	926,780
Indiana.....	1	3,000	3,000	0	0	0	1,024,000	256,000	0	0	1,024,000	0	2,210,795
Iowa.....	3	16,850	5,617	0	0	7	557,850	79,693	2	22,540	597,240	0	1,479,755
Kansas.....	3	37,090	12,363	0	0	8	999,870	124,996	4	153,580	1,190,610	0	9,065,323
Kentucky.....	1	8,500	8,500	0	0	7	2,510,900	358,700	0	0	2,510,900	0	3,769,400
Louisiana.....	2	11,100	5,550	0	0	2	111,770	58,885	0	0	128,870	0	992,440
Maine.....	3	10,700	3,567	0	0	0	0	0	0	0	10,700	0	173,200
Maryland.....	0	0	0	0	0	2	164,430	82,215	0	0	164,430	0	259,905
Massachusetts.....	1	5,500	5,500	0	0	0	0	0	0	0	5,500	0	35,965
Michigan.....	3	18,400	6,133	0	0	1	42,000	42,000	0	0	60,400	0	758,440
Minnesota.....	3	24,200	8,067	0	0	4	116,000	29,000	0	0	140,200	0	409,940
Mississippi.....	24	69,680	2,903	1	1,050	40	5,830,500	145,762	11	481,000	6,382,230	0	10,822,485
Missouri.....	10	59,190	5,919	1	5,000	16	2,545,000	159,062	1	25,000	2,634,190	0	5,912,220
Montana.....	3	11,500	3,833	0	0	9	2,326,190	258,199	0	0	2,337,990	0	4,529,830
Nebraska.....	13	97,260	7,482	3	0	3	374,000	124,667	0	0	471,260	0	3,395,993
Nevada.....	0	0	0	0	0	0	0	0	1	7,000	7,000	0	350,835
New Hampshire.....	0	0	0	0	0	0	0	0	0	0	0	0	0
New Jersey.....	2	7,300	3,650	2	7,500	1	20,000	20,000	0	0	34,800	0	277,295
New Mexico.....	20	164,120	8,206	2	4,500	5	402,000	80,400	0	0	570,620	0	2,952,630
New York.....	1	5,300	5,300	5	0	5	1,104,620	220,924	2	57,000	1,156,920	0	1,952,675
North Carolina.....	12	5,300	4,321	21	0	252,794	5,308,670	308,172	2	30,000	5,390,520	0	8,773,953
North Dakota.....	3	26,390	13,195	0	0	4	73,940	18,485	0	0	100,330	0	330,485
Ohio.....	0	0	0	0	0	0	0	0	0	0	0	0	614,040
Oklahoma.....	11	76,040	6,913	324	7,200	14	2,886,540	206,324	0	0	2,971,780	0	5,509,811
Oregon.....	8	76,460	9,558	0	0	6	266,980	44,497	0	0	343,440	0	1,231,355
Pennsylvania.....	0	0	0	0	0	2	253,800	126,900	0	0	253,800	0	447,825
Rhode Island.....	0	0	0	0	0	0	0	0	0	0	0	0	0
South Carolina.....	1	3,000	3,000	0	0	6	545,000	90,833	2	30,000	578,000	0	3,516,345
South Dakota.....	3	344,300	11,433	0	0	10	2,308,050	230,805	1	12,000	2,351,350	0	3,150,665
Tennessee.....	6	19,930	3,322	11	0	11	3,409,940	309,995	3	3,506,290	3,506,290	0	7,615,325
Texas.....	44	318,920	7,248	13	96,660	80	8,677,760	108,472	2	390,000	9,483,340	0	19,100,216
Utah.....	7	30,320	4,331	9	0	9	381,100	42,344	2	47,500	458,920	0	1,358,900
Vermont.....	0	0	0	0	0	0	0	0	0	0	0	0	3,500
Virginia.....	1	6,130	6,130	0	0	2	145,000	72,500	0	0	151,130	0	600,824
Washington.....	9	144,450	16,050	1	7,000	7	125,000	41,667	2	18,000	294,450	0	2,757,545
West Virginia.....	0	0	0	0	0	3	2,158,960	308,423	0	0	2,158,960	0	3,707,505
Wisconsin.....	6	19,460	3,243	2	15,830	3	378,570	126,190	0	0	413,860	0	946,520
Wyoming.....	1	13,000	13,000	0	0	4	1,272,200	318,050	0	0	1,285,200	0	3,155,645
Puerto Rico.....	7	23,730	3,390	0	0	0	0	0	0	0	23,730	0	1,129,040
Virgin Islands.....	0	0	0	0	0	0	0	0	0	0	0	0	0

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Table III - Water Facilities Loans to Individuals Made From 1938 Through September 17, 1954
and Maturities and Collections Through June 30, 1965

State	Cumulative loan obligations 1/	Cumulative loan advances 1/	Matured principal	Collections			Principal		Outstanding principal balance on loan advances	Ratio of principal repayments to matured principal
				Principal repayments	Interest payments	Total	Write-offs	Judgments		
	1	2	3	4	5	6	7	8	9	10
U. S. Total.....	\$29,695,363	\$29,808,490	\$28,917,324	\$28,577,850	\$4,019,408	\$32,597,258	\$72,120	\$51,309	\$1,107,211	98.8%
Arizona.....	1,807,256	1,809,728	1,666,170	1,643,206	297,783	1,940,989	15	506	165,971	98.6
Arkansas.....	1,400	2,385	2,385	2,385	125	2,510	0	0	0	100.0
California.....	2,669,948	2,681,569	2,599,394	2,578,796	376,464	2,955,260	10,898	0	91,975	99.2
Colorado.....	1,824,194	1,812,894	1,735,608	1,698,914	242,438	1,941,352	2,258	12,464	99,258	97.9
Idaho.....	1,943,502	1,955,849	1,892,471	1,886,091	267,785	2,153,876	370	4,163	65,225	99.7
Kansas.....	1,224,517	1,226,641	1,151,813	1,134,589	175,164	1,309,753	3,650	0	88,402	98.5
Missouri.....	52,975	56,725	53,745	51,171	9,736	60,907	431	0	5,123	95.2
Montana.....	1,846,941	1,857,740	1,815,822	1,779,493	258,726	2,038,219	3,117	10,515	64,615	98.0
Nebraska.....	2,193,825	2,204,045	2,174,040	2,163,210	273,217	2,436,427	5,336	0	35,499	99.5
Nevada.....	156,860	161,182	160,722	157,385	22,808	180,193	0	0	3,797	97.9
New Mexico.....	1,519,148	1,534,371	1,467,869	1,418,771	207,763	1,626,534	15,595	0	100,005	96.7
New York.....	4,000	4,675	4,675	4,675	673	5,348	0	0	0	100.0
North Dakota.....	456,785	455,194	447,100	444,106	51,429	495,535	1,214	300	9,574	99.3
Oklahoma.....	2,542,556	2,553,251	2,452,318	2,430,223	344,724	2,774,947	6,697	557	115,774	99.1
Oregon.....	1,491,800	1,501,164	1,474,935	1,449,660	190,096	1,639,756	1,702	11,481	38,321	98.3
South Dakota.....	534,778	532,078	527,686	512,424	75,415	587,840	3,249	295	16,110	97.1
Texas.....	4,258,951	4,279,923	4,277,243	4,257,206	448,103	4,705,309	8,723	992	13,002	99.5
Utah.....	1,513,593	1,528,087	1,440,084	1,422,250	267,033	1,689,283	2,900	240	102,697	98.8
Washington.....	2,506,410	2,522,509	2,467,935	2,445,033	358,946	2,803,979	3,861	9,538	64,077	99.1
Wyoming.....	1,145,824	1,128,380	1,105,309	1,098,262	150,679	1,248,941	2,074	258	27,786	99.4

1/ Amounts reflected are cumulative obligations from inception of the program, including \$2,292,858 obligations from "Loans, Grants and Rural Rehabilitation" funds. Loan advances represent charges to borrowers' accounts. The difference between obligations and advances represents non-cash advances and transfers of accounts between states for collection purposes.

Table IV - Water Facilities Loans to Groups: Number of Groups, Amount Loaned From 1938 Through September 17, 1954, and Installments Due and Payments, Cumulative Through December 31, 1954

State	Total number of groups	Total amount loaned	Groups paid in full				Groups with unpaid balance as of December 31, 1964					
			Number	Payments			Scheduled installments (principal and interest)	Total	Regular and advance payments made on scheduled installments		Extra payments and refunds	
				Total	Principal	Interest			Amount	As percent of schedule		
1	2	3	4	5	6	7	8	9	10	11	12	
U. S. Total.....	260	\$7,401,321	91	\$1,620,200	\$1,327,089	\$293,111	169	\$4,396,844	\$4,559,748	\$4,474,773	102	\$94,975
Arizona.....	9	319,500	2	93,055	72,500	20,555	7	203,493	230,102	226,521	111	3,481
California.....	6	271,813	3	96,173	77,313	18,860	3	166,517	168,027	168,027	101	0
Colorado.....	36	900,967	17	204,319	166,767	37,552	19	522,025	509,834	494,640	95	15,194
Idaho.....	36	883,050	15	302,449	245,036	57,413	21	497,923	528,384	520,313	104	8,071
Kansas.....	2	36,750	0	0	0	0	2	23,816	32,143	32,143	135	0
Montana.....	16	476,081	5	82,475	68,280	14,195	11	357,154	375,904	368,045	103	7,859
Nevada.....	9	387,860	1	32,409	23,750	8,649	8	264,053	279,425	268,261	102	11,164
New Mexico.....	17	412,890	12	195,489	174,890	20,599	5	158,767	153,448	162,539	102	609
North Dakota.....	1	15,000	1	15,728	15,000	728	0	0	0	0	0	0
Oregon.....	15	505,207	5	113,524	89,387	24,137	10	257,689	264,492	261,749	102	2,743
Utah.....	44	1,264,056	15	291,723	236,212	55,511	29	664,419	707,551	687,284	103	20,367
Washington.....	62	1,689,233	12	152,332	125,060	27,252	50	1,091,289	1,136,865	1,111,378	102	25,487
Wyoming.....	7	238,914	3	40,524	32,864	7,660	4	189,689	173,773	173,773	92	0

Table V - Soil and Water: Object and Insured Loans to Individuals - Number of Borrowers, Amount Loaned and Payments, Cumulative From September 17, 1954 Through January 1, 1955

State and territory	Total number of borrowers	Total amount loaned	Borrowers paid in full or otherwise satisfied						Borrowers with unpaid balance as of January 1, 1955					
			Number	Payments			Inherent insurance charges	Number	Scheduled installments (principal and interest)	Total	Regular and advance payments made on scheduled installments		Extra payments and refunds	
				Total	Principal	Interest					As percent of schedule			
												Amount		As percent of schedule
1	2	3	4	5	6	7	8	9	10	11	12			
U. S. Total.....	12,261	\$50,175,923	6,913	\$36,385,421	\$31,409,132	\$4,976,289	5,318	\$13,215,562	\$12,941,103	\$12,126,002	92	\$13,101		
Direct.....	4,518	18,062,369	2,011	8,685,897	7,549,121	1,037,776	2,507	4,987,018	4,198,243	4,125,720	91	72,523		
Insured.....	7,713	42,114,554	4,902	27,798,524	23,860,011	3,938,513	2,811	8,329,944	8,142,860	7,702,282	92	440,578		
Alabama.....	104	397,808	67	310,750	267,713	43,037	37	60,337	60,032	57,841	95	2,191		
Alaska.....	5	20,999	1	8,155	6,994	1,171	1	4,542	2,948	2,641	58	307		
Arizona.....	202	2,656,665	105	1,363,758	1,152,485	231,273	97	760,352	712,034	680,097	89	31,937		
Arkansas.....	854	3,597,437	462	2,246,431	1,914,892	303,539	392	563,539	622,009	568,978	100	33,031		
California.....	506	3,160,094	327	2,333,705	2,022,573	311,132	179	462,100	500,524	449,078	97	51,446		
Colorado.....	222	1,374,116	121	711,420	614,513	96,907	101	216,723	201,132	168,652	78	32,480		
Connecticut.....	6	4,900	1	5,566	4,900	666	0	0	0	0	0	0		
Delaware.....	1	3,302	3	20,602	17,300	3,302	3	7,856	6,829	6,469	84	0		
Florida.....	424	2,536,830	304	1,908,289	1,636,691	271,598	120	494,578	487,934	461,318	93	26,616		
Georgia.....	307	1,218,787	240	1,115,472	950,469	165,003	57	177,697	183,394	173,073	97	10,321		
Hawaii.....	15	86,810	9	30,569	26,830	3,739	6	38,127	40,098	35,206	92	4,892		
Idaho.....	407	2,570,144	188	1,258,129	1,067,049	171,080	219	712,484	670,437	630,913	88	39,594		
Illinois.....	13	392,325	98	281,124	247,765	33,359	15	96,615	102,491	97,257	99	5,601		
Indiana.....	59	193,116	44	162,087	139,946	22,141	15	26,477	26,669	25,974	98	595		
Iowa.....	113	575,205	65	245,534	211,120	34,414	78	151,459	153,501	153,465	99	10,036		
Kansas.....	359	2,805,557	229	1,805,492	1,516,751	289,731	130	904,081	857,728	796,934	88	60,794		
Kentucky.....	104	269,656	68	125,399	111,704	13,695	56	67,183	72,418	65,115	97	13,259		
Louisiana.....	231	934,256	130	642,043	555,484	86,559	101	190,485	185,109	178,302	94	6,717		
Maine.....	31	39,915	14	19,612	17,385	2,227	17	4,907	6,248	5,171	105	1,077		
Maryland.....	29	131,130	20	108,553	91,160	17,393	9	24,546	21,151	21,000	86	151		
Massachusetts.....	25	72,805	11	36,751	32,765	3,986	15	9,495	11,003	9,862	104	1,141		
Michigan.....	171	885,195	99	515,268	440,275	75,013	72	228,100	241,487	241,409	94	27,078		
Minnesota.....	70	233,610	30	107,397	95,170	12,227	40	51,315	55,408	50,083	98	5,365		
Mississippi.....	621	2,106,521	402	1,675,200	1,455,495	219,705	219	307,053	312,453	292,930	95	19,523		
Missouri.....	424	1,274,808	265	829,855	719,587	110,268	159	202,415	212,205	195,570	97	20,635		
Montana.....	260	1,191,635	93	409,461	360,432	49,029	167	275,099	284,054	251,898	92	32,156		
Nebraska.....	690	2,458,335	450	2,295,311	2,095,311	362,025	240	1,281,204	1,279,256	1,247,150	97	32,076		
Nevada.....	36	303,615	18	137,492	126,337	17,155	18	53,961	62,222	53,373	84	8,849		
New Hampshire.....	0	0	0	0	0	0	0	0	0	0	0	0		
New Jersey.....	90	373,885	59	294,915	253,270	41,645	31	51,850	43,630	38,808	75	4,822		
New Mexico.....	385	2,242,690	251	1,718,969	1,494,797	224,172	134	387,044	405,977	379,617	98	26,260		
New York.....	56	201,692	34	133,194	115,478	17,716	22	52,885	37,775	34,269	102	3,705		
North Carolina.....	395	1,248,301	213	932,044	807,726	124,318	152	145,044	151,699	148,248	105	3,451		
North Dakota.....	95	262,699	46	97,413	86,144	11,269	19	63,198	55,557	53,665	85	1,692		
Ohio.....	38	143,760	24	104,439	89,220	15,219	14	31,466	33,517	29,556	94	3,951		
Oklahoma.....	449	2,777,358	272	2,043,417	1,753,203	280,214	177	445,154	445,715	392,257	88	23,458		
Oregon.....	336	1,288,319	145	500,771	437,710	63,061	191	407,009	375,442	359,100	88	16,342		
Pennsylvania.....	52	95,772	37	76,803	67,842	8,961	15	15,305	15,705	15,060	98	1,645		
Rhode Island.....	1	2,500	0	0	0	0	1	647	648	648	100	0		
South Carolina.....	378	1,188,029	276	905,378	789,165	116,213	102	240,387	253,161	237,310	99	15,851		
South Dakota.....	114	459,190	32	79,825	69,060	10,765	82	181,349	150,353	141,871	78	16,482		
Tennessee.....	191	424,755	110	259,066	225,530	33,536	81	90,327	79,723	79,121	88	602		
Texas.....	1,247	8,051,236	609	4,053,152	4,030,383	22,769	534	1,710,924	1,572,682	1,481,906	87	90,775		
Utah.....	306	1,856,685	124	592,736	514,978	77,758	262	554,115	576,370	542,508	96	33,752		
Vermont.....	1	3,500	1	4,317	3,500	817	0	0	0	0	0	0		
Virginia.....	51	224,374	44	212,777	184,499	28,278	7	25,055	25,348	24,884	99	454		
Washington.....	466	2,889,067	174	905,797	785,572	120,225	292	740,159	740,159	695,288	90	44,841		
West Virginia.....	74	148,260	57	107,673	92,723	14,950	17	39,529	34,269	32,523	83	1,736		
Wisconsin.....	169	552,072	82	270,226	235,410	34,816	82	52,270	93,451	93,451	91	9,492		
Wyoming.....	117	544,752	62	312,119	274,075	38,044	55	112,559	97,795	91,074	81	6,721		
Puerto Rico.....	716	1,767,683	409	1,074,276	935,891	138,385	307	378,425	378,509	350,963	93	27,546		
Virgin Islands.....	4	10,000	3	16,144	8,500	1,644	1	1,278	1,278	1,278	100	0		

1/ Includes principal write-offs in the amount of \$9,993 and judgments in the amount of \$5,185 on direct loans and principal write-offs in the amount of \$7,804 on insured loans.
 2/ Does not include interest write-offs in the amount of \$378 and judgments in the amount of \$101 on direct loans and interest write-offs in the amount of \$873 on insured loans.

State and territory	Total number of groups	Groups paid in full				Groups with unpaid balance as of January 1, 1965					
		Total amount loaned	Payments			Number	Scheduled installments (principal and interest)	Total	Principal and interest payments		
			Total	Principal	Interest and insurance charges				Regular payments made on scheduled installments	Extra payments and refunds	
											Number	Amount	As percent of schedule
1	2	3	4	5	6	7	8	9	10	11	12
U. S. Total.....	815	\$78,186,689	\$755,713	\$537,121	\$118,592	771	\$7,874,377	\$7,825,118	\$7,426,023	94	\$1,691,355
Direct.....	387	33,081,591	461,120	393,551	87,569	361	4,469,504	4,337,119	4,337,119	97	322,381
Insured.....	428	45,104,998	274,623	243,570	31,053	410	3,404,873	3,285,855	3,088,874	91	176,981
Alabama.....	10	2,018,100	0	0	0	10	55,210	55,156	55,365	100	91
Alaska.....	7	0	0	0	0	0	0	0	0	0	0
Arizona.....	7	404,460	0	0	0	7	197,288	233,317	196,221	99	37,096
Arkansas.....	19	930,500	9,598	9,150	448	14	42,955	52,573	47,361	110	5,212
California.....	9	510,000	0	0	0	9	131,953	150,883	133,648	101	17,235
Colorado.....	69	8,826,440	76,583	70,500	5,983	64	1,307,922	1,145,512	1,111,169	82	34,343
Connecticut.....	1	34,500	0	0	0	1	380	380	380	100	0
Delaware.....	0	0	0	0	0	0	0	0	0	0	0
Florida.....	10	1,117,130	0	0	0	10	31,935	31,935	31,935	100	0
Georgia.....	10	711,100	0	0	0	10	17,677	16,656	15,315	91	541
Hawaii.....	0	0	0	0	0	0	0	0	0	0	0
Idaho.....	31	1,038,535	139,672	125,070	14,602	19	167,831	171,667	170,991	102	676
Illinois.....	4	352,500	0	0	0	4	5,137	5,137	5,137	100	0
Indiana.....	13	3,515,045	0	0	0	13	146,165	179,165	146,165	100	33,000
Iowa.....	13	652,930	2,048	2,000	48	12	33,392	27,993	25,163	79	2,500
Kansas.....	69	6,155,320	255,465	193,000	62,465	68	894,707	953,649	893,115	100	60,534
Kentucky.....	13	3,605,600	0	0	0	13	556,477	448,830	448,830	81	0
Louisiana.....	5	376,000	33,806	30,000	3,806	4	8,157	8,157	8,157	100	0
Maine.....	3	122,600	0	0	0	3	3,003	3,003	3,003	100	0
Maryland.....	2	166,620	0	0	0	2	8,403	8,403	8,403	100	0
Massachusetts.....	0	0	0	0	0	0	0	0	0	0	0
Michigan.....	10	355,200	28,208	25,500	2,708	8	12,947	7,587	5,549	43	2,038
Minnesota.....	40	3,440,990	0	0	0	40	128,511	80,271	80,207	76	64
Mississippi.....	17	1,900,500	0	0	0	17	50,442	53,501	53,501	92	0
Missouri.....	23	2,828,012	0	0	0	23	406,476	511,527	510,074	103	1,453
Montana.....	3	975,000	0	0	0	3	4,354	4,354	4,354	100	0
Nebraska.....	9	507,600	10,295	10,000	295	8	156,779	106,695	92,146	59	14,790
Nevada.....	0	0	0	0	0	0	0	0	0	0	0
New Hampshire.....	0	9,751	14,603	9,751	4,852	0	0	0	0	0	0
New Jersey.....	1	973,550	14,153	13,000	1,153	14	74,775	89,143	83,427	112	5,716
New Mexico.....	15	926,000	0	0	0	14	77,394	16,352	16,352	144	0
New York.....	4	2,265,602	0	0	0	4	37,899	145,581	145,581	102	0
North Carolina.....	18	2,403,230	55,435	49,000	6,435	18	143,839	185,554	145,581	102	0
North Dakota.....	3	230,230	0	0	0	7	97,416	78,556	78,556	113	491
Ohio.....	1	31,000	0	0	0	1	34,928	25,693	25,693	76	0
Oklahoma.....	12	1,189,390	0	0	0	12	34,602	26,033	26,033	75	0
Oregon.....	25	1,118,144	16,364	14,300	2,064	23	213,773	216,506	192,918	93	17,588
Pennsylvania.....	4	556,000	0	0	0	4	90,421	90,421	90,421	100	0
Rhode Island.....	0	0	0	0	0	0	0	0	0	0	0
South Carolina.....	13	2,034,070	0	0	0	13	68,084	68,643	68,643	101	0
South Dakota.....	7	702,200	0	0	0	7	76,958	79,973	75,033	97	4,940
Tennessee.....	26	5,001,500	0	0	0	26	195,723	195,919	189,699	97	5,220
Texas.....	146	14,108,800	0	0	0	146	1,037,457	1,110,658	1,043,704	101	66,954
Utah.....	25	693,550	6,480	6,000	480	24	273,078	307,504	272,667	100	34,837
Vermont.....	0	0	0	0	0	0	0	0	0	0	0
Virginia.....	3	254,230	0	0	0	3	5,390	5,390	5,390	100	0
Washington.....	62	2,530,560	46,842	39,500	7,342	57	538,683	618,511	558,720	104	59,791
West Virginia.....	18	3,309,100	0	0	0	18	159,701	180,808	163,725	104	21,083
Wisconsin.....	2	191,500	0	0	0	2	8,374	8,374	8,374	100	0
Wyoming.....	33	1,754,940	46,191	40,150	6,041	30	333,862	401,941	329,699	99	72,242
Puerto Rico.....	0	0	0	0	0	0	0	0	0	0	0
Virgin Islands.....	0	0	0	0	0	0	0	0	0	0	0

Subtitle B - Operating Loans

This subtitle contains the authorization for operating loans. Operating loans made by the Farmers Home Administration are accompanied by supervisory assistance in farm and financial management. Such operating credit is needed by under-financed farm operators in an increasing amount. Loans are made to assist (1) established operators of adequate family farms to continue to carry on and improve their farm and home operations, (2) operators of inadequate farms to convert their farming operations to adequate to the extent that such farms are needed in the economy, (3) operators of part-time farms to improve their farm income and level of living while continuing to live in rural areas, and (4) "boxed in" farmers - those who are handicapped because of age, physical handicaps or limited education or potential, to enable them to continue as self-supporting citizens.

1. Eligibility: Operating loans are made to farmers and ranchers who (1) are citizens of the United States, (2) have a farm background and training or farming experience which is determined to be sufficient to assure reasonable prospects of success in the proposed farming operation, (3) are or will become operators of not larger than family farms, and (4) are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time.
2. Size of Loan:
 - A. In no case may an operating loan be made which would result in a total principal loan balance outstanding in excess of \$35,000. The amount of each operating loan will be limited to the needs of the applicant and his ability to pay with due consideration given to the value of the chattel property, including crops, which will be available as security.
 - B. Not more than 25 percent of the annual operating loan funds available may be used to make loans which involve increasing the indebtedness of any borrower above \$15,000.
3. Terms of loans: Operating loans may be made for periods up to 7 years, but may be renewed for not more than 5 additional years. All loans are being made at the maximum statutory rate of 5 percent, except those which involve the development of family farm forestry enterprises which bear 3 percent interest.
4. Loan Purposes: Operating loans may be made for (1) paying costs incident to reorganizing the farming system for more profitable operation, (2) purchasing livestock, poultry and farm equipment, (3) purchasing feed, seed, fertilizer, insecticides, and farm supplies and to meet other essential farm operating expenses including cash rent, and costs incident to the production and harvesting of forestry products, (4) financing land and water development, use, and conservation including recreational uses and facilities, (5) refinancing existing indebtedness, (6) financing other farm and home needs including but not limited to family subsistence, and (7) paying for loan closing costs.
5. Security: Operating loans are secured by crop and chattel liens and, when necessary, by real estate mortgages.

6. Veterans' Preference: Applications of veterans are given preference over similar applications of nonveterans on file in any county or area office at the same time.
7. Impact of Loans: The impact of operating loans on local businesses and suppliers is significant. A large percentage of operating loan funds are used for such things as purchase of feed, seed, fertilizer, fuel and other farm supplies; for farm machinery, livestock and family subsistence needs. In addition to stimulating local business in rural areas this input in turn increases the volume of business of the suppliers and manufacturers of the many different items purchased with operating loan funds. In addition to the significant and direct effect of the loan funds on the economy, the input of materials, supplies and equipment purchased, along with the farm families' added labor, enables these families to increase their income substantially. Most of the additional income, as well as the loan funds, moves quickly into the economy because of the unfilled needs of these farm families. This combined effect is especially vital to rural areas in which substantial development and revitalization must be accomplished if such areas are to become "positive agents" in the growing economy of the nation.

Status of Operating Loans

The Appropriation Act for 1965 provided authority to use \$300,000,000 from funds available in the direct loan account for operating loans, of which \$50,000,000 was placed in reserve and was made available in February 1965 for the expeditious and orderly conduct of the loan program. The full amount of \$300,000,000 was obligated for operating loans in 1965.

The Appropriation Act of 1966 provides authority to use \$300,000,000 from funds available in the direct loan account for operating loans, of which \$50,000,000 was placed in reserve to be used only to the extent required under the then existing conditions for the expeditious and orderly conduct of the loan program. It is anticipated that the remaining \$250,000,000 will be used in fiscal year 1966.

1. Use of Operating Loan Funds: The major portion of the operating loan funds in 1965 was used to assist farmers in making basic adjustments in their farming operations. An analysis of initial and subsequent operating loans indicates that 16.3 percent of the funds was used for purchase of livestock, 16.7 percent for purchase of machinery and equipment, 23.4 percent for refinancing existing debts secured by livestock and equipment and unsecured debts, and 37.8 percent for current farm operating expenses. The other 5.8 percent was used for real estate improvements, family living expenses and other minor expense items. Funds used for refinancing existing indebtedness amounted to 23.4 percent, an increase of 4.6 percentage points over the comparable portion so used in 1964.

The average size of loans continues to rise each year. This is due principally to increased cost of farming, including the fact that much larger investments are needed in livestock and equipment than in earlier years. Initial operating loans to farmers conducting adequate family farming operations under long-term farm and home plans averaged \$9,839 in 1965 compared to \$9,159 in 1964 and \$3,461 in 1956. Initial operating loans for operating expenses only averaged \$4,734 in 1965 compared to \$4,512 in 1964 and \$904 in 1956. The size of subsequent loans has increased of 180 percent since 1956. Subsequent operating loans for farmers operating under long-term farm and home plans averaged \$3,603 in 1965 compared to \$3,287 in 1964 and \$1,285 in 1956.

A total of \$45,383,314 was loaned to individuals in excess of the \$15,000 principal indebtedness limitation. This compares to the total statutory authorization of \$75,000,000 which could have been used for this purpose and which represents 25 percent of the annual funds available for operating loans. This amount compares to \$41,114,390 used for this purpose in 1964.

Operating loans are identified as loans to farmers conducting "adequate family-farming operations" and those conducting other types of farming operations, not larger than a family-farming operation. The latter are identified as "other family-farming operations."

"Adequate family-farming operations" are classified into two subcategories to show in more detail how these loans are contributing to the Department's projections of the number of farms that can be supported by the economy. These two subcategories are as follows:

- (1) "Inadequate to adequate family-farming operations" are loans to help establish farmers on inadequate farms who possess the potential for carrying on successful farming operations and who need credit and technical guidance to make major adjustments and improvements in their farming operations so that they may become successful operators of adequate family farms. These operating loans are used for assisting farm families to make needed changes in their enterprises and land use, to modernize their equipment, to provide necessary operating expenses until income is obtained from the operation, and to adjust, consolidate and extend their indebtedness so that it can be paid from income.
- (2) "Maintain operations" are loans to help established operators of adequate family farms who because of inadequate conventional credit and, in many areas, the need for restructuring their present obligations require assistance in order to continue as adequate family farm operators. These operating loans are used for assisting farm families to make further adjustment in their operations to keep up with the changes in agriculture, to meet changing market requirements, to pay necessary operating expenses until the year's income is obtained in order that they may continue in business as operators of adequate family farms, and adjust, consolidate, or extend their indebtedness so that it can be paid from income.

"Other family-farming operations" are classified into two subcategories to show in more detail how these loans are contributing to the Department's projections for the 1960's. These two subcategories are as follows:

- (1) "Part-time farming operations" are loans to help part-time farmers who need credit and guidance to develop their farm income which with their off-farm income will provide an adequate level of living. The improvement in these families' situations resulting from the operating loans will prevent their migration to urban areas and will provide added support to the economic and social institutions of rural areas which is essential to further development of such areas and maintaining a desirable portion of the population there.

- (2) "Aged, disabled, limited education farmers" are loans to help farmers who because of age, physical handicap, or limited education are unable to transfer to nonfarm occupations and who need credit and guidance to obtain a living from their farms. Operating loans of modest size are used to help some of the families improve their standards of living through increasing their incomes and producing more of their subsistence needs. Such loans enable many of the families to be self-supporting and prevent them from having to resort to welfare programs to eke out a bare existence.

The following tabulation shows the above breakdowns for operating loans for fiscal years 1965 and 1966:

<u>INITIAL LOANS</u>	<u>Fiscal Year 1965</u>		<u>Fiscal Year 1966 (Est.)</u>	
	<u>Number</u>	<u>Amount</u> <u>(millions)</u>	<u>Number</u>	<u>Amount</u> <u>(millions)</u>
<u>Adequate Family Farming Operations:</u>				
Inadequate to adequate family-farming operations	2,263	\$22.2	2,100	\$20.5
Maintain Operations	10,094	87.7	7,400	64.8
Total, Adequate Family-Farming Operations	12,357	109.9	9,500	85.3
<u>Other Family-Farming Operations:</u>				
Part-time farming operations	7,727	29.9	4,400	17.2
Aged, disabled, limited education farmers	4,043	6.7	4,500	7.5
Total, other Family-Farming Operations	11,770	36.6	8,900	24.7
TOTAL, INITIAL LOANS	24,127	146.5	18,400	110.0
<u>SUBSEQUENT LOANS</u>				
<u>Adequate Family-Farming Operations:</u>	38,306	135.4	35,200	123.0
<u>Other Family-Farming Operations:</u>	10,164	18.1	10,000	17.0
TOTAL SUBSEQUENT LOANS	48,470	153.5	45,200	140.0
<u>Total, Initial and Subsequent Loans:</u>				
Adequate Family-Farming Operations	50,663	245.3	44,700	208.3
Other Family-Farming Operations .	21,934	54.7	18,900	41.7
TOTAL LOANS	72,597	300.0	63,600	250.0

2. 1966 Program: It is expected that the average size of an initial loan, which has been rising continually in recent years, will again rise in 1966. This is a direct result of the continuing increase in capital required for productive resources and operating costs required for successful farming.

3. Collections: A summary of the cumulative and current activity on operating loans and comparable type operating loans made by the Farm Security Administration, the Emergency Crop and Feed Loan Division of the Farm Credit Administration and the Farmers Home Administration is contained in items "A" and "B" below.

A. The following is a resume of the loan advances and repayments during the last five years:

<u>Fiscal Year</u>	<u>Loan Advances</u>	<u>Principal Repayments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
	(-----Dollars in millions-----)			
1961	\$232.1	\$181.6	\$17.7	\$199.3
1962	275.0	198.5	19.6	218.1
1963	300.0	220.3	22.7	243.0
1964	297.9	236.3	25.3	261.6
1965	301.6	253.9	27.2	281.1

B. Cumulative loan advances, collections, and repayment status of loans follows:

	<u>Loan Advances</u>	<u>Collections</u>			<u>Ratio of Collections</u>	
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal to Maturities</u>	<u>Total to Advances</u>
	(-----Dollars in millions-----)					
Rural Rehabilitation Loans (1935-Oct., 1946) ..	\$1,004.9	\$891.5	\$125.9	\$1,017.4	88.7%	101.2%
Emergency Crop and Feed Loans (1918-Oct., 1946)	575.9	478.5	61.9	540.4	83.1%	93.8%
Operating and Production and Subsistence Loans (Nov. 1946-June 30, 1965)	3,159.4	2,420.4	241.2	2,661.6	95.5%	84.2%

4. Progress of Borrowers: The average size of operating loans has increased steadily over the past few years. The increase in the volume of business carried on by family farmers has required more operating capital for larger investments in livestock, farm machinery and equipment for efficient farming. The progressive increase in the size of farming operations is statistically reflected in the averages shown in the following table. The averages are from the farm records of borrowers operating family farms who received operating loans and paid these loans in full during the 1965 fiscal year and continued farming.

<u>Item</u>	<u>Year Before Receiving Loan</u>	<u>1963 Crop Year</u>	<u>Percent Increase</u>
Total acres	282	323	15
Crop acres	147	173	18
Gross cash income	\$8,236	\$14,680	78
Cash farm operating expenses	\$4,762	\$8,546	79
Gross cash income less operating expenses	\$3,474	\$6,134	77
Gross cash income less operating and cash family living expenses	\$1,759	\$3,768	114
Net worth	\$12,029	\$19,962	66

The following table reflects the changes between two separate groups who paid their operating loan indebtedness in full during different years, 1960 and 1965. Borrowers who paid in full during the 1965 fiscal year had a greatly increased size of farming operations as compared to borrowers paying in full during the 1960 fiscal year.

<u>Item</u>	<u>Paid in full during fiscal year</u>		<u>Percent Increase</u>
	<u>1960</u>	<u>1965</u>	
Total acres	288	325	12
Crop acres	153	173	21
Gross cash income	\$9,115	\$14,680	61
Cash farm operating expense	\$4,888	\$8,546	75
Gross cash income less operating expenses	\$4,227	\$6,134	45
Gross cash income less operating and cash family living expenses	\$2,469	\$3,768	53
Net worth	\$13,319	\$19,962	50

These increases are influenced by rising price levels, but are primarily the result of the increase in resources which are required for successful operation.

Debts Compromised, Adjusted, or Canceled

The Consolidated Farmers Home Administration Act of 1961 continued the authority for the compromise, adjustment, or cancellation of debts. Continued emphasis is being given to the settlement of old accounts eligible for compromise, adjustment, or cancellation.

The following schedule shows adjustment, compromise, and cancellation settlements during the fiscal year 1965 and from the inception of such activity on April 4, 1945, through June 30, 1965. Included in the figures are debt settlement activities taken under all programs administered by the Farmers Home Administration including the emergency and special livestock loan programs financed from the Emergency Credit Revolving Fund.

	During Fiscal Year 1965	From Inception April 4, 1945 through June 30, 1965
	(-----Dollars in Millions-----)	
Number of borrowers involved in settlement	2,574	892,865
Original principal indebtedness	\$9.0	\$425.5
Repaid prior to settlement:		
Principal	\$5.0	\$177.1
Interest	\$.8	\$30.9
Unpaid balance at time of settlement:		
Principal	\$4.1	\$248.4
Interest	\$1.7	\$114.0
Principal and interest paid at time of settlement	\$.2	\$23.1
Principal and interest Written off	\$5.7	\$339.4

Within the amount of \$5.7 million principal and interest written off in 1965 about \$.4 million was involved in programs taken over from other agencies for liquidation by the Farmers Home Administration. Of the balance, about \$1.4 million of Emergency Credit Revolving Fund indebtedness was written off.



Table I - Total Operating Loans to Individuals, 1965 Fiscal Year, and Operating and Production and Subsistence Loans, Cumulative From Inception, November 1, 1946 Through June 30, 1965 ^{1/}

State and territory	1965 fiscal year										Total loans				Cumulative - November 1, 1946 through June 30, 1965	
	Initial loans for adequate family farming operations					Initial loans for other family farming operations					All subsequent loans ^{2/}		Number		Amount	
	Intensive supervision			Limited supervision		Average amount			Number		Average amount		Number		Amount	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
U. S. Total.....	10,039	\$98,772,140	\$9,839	2,303	\$10,901,330	\$4,734	11,785	\$26,836,870	\$3,126	48,470	\$153,489,660	\$3,166	72,597	\$300,000,000	1,538,882	\$3,150,111,433
Alabama.....	383	1,735,770	4,532	109	305,840	2,815	895	1,188,150	1,328	1,889	4,922,027	2,606	3,276	8,159,787	84,565	90,289,723
Alaska.....	0			1	2,750	2,750	1	15,290	3,822	11	32,576	2,961	16	50,618	1494	1,964,900
Arizona.....	24	266,430	11,101	3	21,100	7,033	35	157,910	4,483	42	251,282	5,961	104	695,722	3,055	11,684,731
Arkansas.....	485	2,950,400	6,083	70	297,490	4,250	690	1,727,610	2,504	1,747	5,901,851	3,378	2,992	10,877,351	69,419	117,715,900
California.....	97	1,501,680	15,481	4	28,650	7,252	83	594,620	7,164	244	1,570,829	6,395	428	3,695,979	11,274	42,083,334
Colorado.....	149	2,014,510	13,520	5	27,900	5,580	81	502,770	6,207	395	2,151,459	5,446	630	4,696,639	21,778	62,990,051
Connecticut.....	19	196,920	10,364	5	52,000	10,400	3	11,640	3,880	65	216,320	3,180	92	476,880	914	3,230,151
Delaware.....	3	26,300	8,767	2	11,800	5,900	21	77,820	3,706	23	73,150	3,180	49	189,070	728	1,534,608
Florida.....	321	277,680	4,272	24	44,780	4,780	200	631,270	3,156	1,410	1,041,262	2,686	699	2,124,490	22,303	36,368,160
Georgia.....	65	2,645,100	8,240	130	857,400	6,595	722	1,545,480	2,441	1,695	4,781,370	4,001	2,868	11,859,390	70,435	120,894,289
Hawaii.....	21	103,990	4,952	4	4,990	1,248	14	23,440	1,674	50	151,200	3,024	89	283,620	2,029	4,685,352
Idaho.....	208	2,722,000	13,087	13	142,350	10,950	166	1,115,330	6,719	1,331	5,795,760	4,354	1,718	9,775,440	28,775	93,643,769
Illinois.....	344	3,997,930	11,622	3	0	0	146	745,300	5,105	1,684	6,534,819	3,881	2,174	11,278,049	33,124	104,601,438
Indiana.....	129	1,495,810	11,595	1	2,000	2,000	90	431,090	4,790	624	2,320,291	3,718	844	4,249,191	18,403	58,224,144
Iowa.....	488	5,624,900	11,526	1	7,600	7,600	171	1,178,410	6,891	1,877	4,745,790	2,527	2,537	11,556,700	33,549	103,240,624
Kansas.....	163	1,783,170	10,940	46	232,380	5,052	184	869,210	4,724	751	1,805,977	2,405	1,144	4,690,737	25,948	65,444,103
Kentucky.....	233	990,210	4,250	93	233,300	2,401	673	1,231,510	1,830	1,481	2,047,452	1,382	2,180	4,492,672	44,202	50,458,226
Louisiana.....	363	2,332,920	6,425	124	578,440	4,665	312	778,580	2,495	1,333	5,580,080	4,186	2,132	9,269,490	48,180	96,859,289
Maine.....	259	1,700,080	6,564	45	218,570	4,857	104	268,980	2,779	1,459	5,435,412	3,999	1,867	8,043,042	21,400	63,292,910
Maryland.....	39	288,640	7,401	13	20,250	1,558	27	55,720	2,064	203	511,879	2,521	282	876,489	9,275	16,127,117
Massachusetts.....	7	72,470	10,353	5	20,150	4,030	11	33,370	3,034	53	119,810	2,261	76	245,800	1,278	3,285,391
Michigan.....	97	1,263,160	14,053	5	44,220	8,844	120	891,370	7,433	667	2,212,437	3,513	889	4,511,787	21,760	64,015,844
Minnesota.....	448	4,227,780	10,144	78	309,440	3,967	204	1,011,420	4,398	1,239	3,086,476	2,476	1,939	6,817,076	27,913	85,728,209
Mississippi.....	404	2,036,490	5,041	201	678,070	3,373	1,534	1,232,710	1,990	3,083	5,454,475	1,781	5,202	10,301,465	97,728	110,208,987
Missouri.....	386	3,056,140	9,595	30	51,400	1,913	378	1,408,090	3,725	1,658	5,071,110	3,059	2,432	10,194,740	48,551	108,357,949
Montana.....	180	3,264,620	18,137	19	196,430	10,338	79	601,790	7,616	851	4,885,011	5,740	1,129	8,947,791	22,594	78,374,231
Nebraska.....	305	3,920,990	12,856	15	52,480	10,498	121	911,450	7,781	1,353	4,084,778	3,019	1,784	8,999,708	27,032	75,684,107
Nevada.....	16	238,990	14,931	4	0	0	12	90,240	7,520	68	477,948	7,089	96	807,168	1,200	6,985,468
New Hampshire.....	16	209,460	13,091	4	20,590	5,148	3	10,140	3,380	59	133,860	2,269	82	374,050	2,010	5,448,917
New Jersey.....	75	719,620	9,595	2	15,890	7,945	34	78,870	2,320	171	520,005	3,040	282	1,334,385	7,850	21,543,505
New Mexico.....	95	1,064,990	11,210	6	28,050	4,675	131	544,420	4,156	351	1,204,290	3,431	583	2,841,750	13,582	35,858,924
New York.....	284	4,053,920	14,308	18	146,710	8,151	179	1,192,610	6,663	914	2,447,052	2,677	1,395	7,849,882	20,795	64,993,389
North Carolina.....	499	2,686,470	5,384	356	1,331,930	3,741	905	1,593,050	1,760	2,461	7,351,686	2,987	1,221	12,963,146	108,877	145,767,992
North Dakota.....	351	4,538,240	12,571	252	634,190	2,556	167	668,460	4,003	1,659	5,523,619	3,329	2,439	11,374,539	33,014	89,769,953
Ohio.....	89	892,130	10,024	4	16,160	4,040	55	254,580	4,629	332	900,986	2,714	480	2,063,856	11,932	34,505,135
Oklahoma.....	157	1,759,550	11,207	40	201,630	5,011	302	1,433,370	4,746	1,860	4,362,047	2,345	2,359	7,756,567	67,719	122,632,664
Oregon.....	61	801,620	12,525	8	48,380	6,048	87	152,770	5,204	383	1,403,344	3,644	542	2,706,114	11,923	37,017,974
Pennsylvania.....	105	1,476,430	14,061	3	5,790	5,234	744	367,300	5,234	460	1,283,825	2,804	642	3,159,345	17,298	46,704,348
Rhode Island.....	1	4,400	4,600	1	45,800	9,160	2	6,600	3,300	6	17,140	2,857	14	74,140	200	46,557,227
South Carolina.....	200	820,490	4,102	27	111,090	4,114	441	464,460	1,130	810	2,485,780	2,698	1,448	3,581,820	89,911	67,925,299
South Dakota.....	469	6,444,740	13,741	31	122,660	3,634	125	970,820	7,767	2,113	5,811,682	2,750	2,738	13,339,902	32,518	98,260,378
Tennessee.....	282	1,996,780	4,599	85	231,240	2,720	104	1,772,960	1,772	1,719	3,236,440	1,935	2,480	5,570,420	43,818	55,533,099
Texas.....	723	9,913,020	13,739	299	2,947,620	9,858	759	4,161,480	5,483	3,720	16,551,239	4,436	5,504	33,694,059	122,447	155,252,099
Utah.....	102	1,131,270	11,091	9	82,780	9,199	76	386,150	2,410	511	2,404,327	4,210	758	4,044,577	11,768	36,251,320
Vermont.....	56	687,380	12,275	6	62,950	10,492	7	46,510	5,787	144	235,120	2,682	183	1,025,960	2,509	6,864,700
Virginia.....	80	466,230	5,828	50	130,630	2,613	179	295,570	1,651	517	1,114,612	2,152	826	2,007,042	23,543	30,265,703
Washington.....	158	1,973,590	12,461	4	25,400	6,280	184	578,860	6,867	949	5,102,404	5,374	1,195	7,677,894	18,317	74,292,990
West Virginia.....	59	464,600	6,123	17	33,150	1,891	244	474,520	1,945	637	972,290	1,526	957	1,840,280	13,449	22,354,618
Wisconsin.....	377	4,460,010	11,035	15	67,720	4,515	177	1,136,840	6,423	1,103	3,523,519	1,672	1,672	7,522,089	26,379	75,004,198
Wyoming.....	96	1,428,800	14,863	7	38,180	6,363	56	430,670	7,691	651	3,038,591	4,667	809	4,936,241	15,236	48,893,333
Puerto Rico.....	105	445,370	3,956	20	45,250	2,262	244	270,540	1,109	644	1,630,511	2,532	1,013	2,361,671	39,987	44,759,987
Virgin Islands.....	0		0	0	0	0	0	0	0	0	0	0	0	0	594	59,075

^{1/} Does not include loans from state rural rehabilitation corporation funds.^{2/} Subsequent loan amounts include recoverable and non-recoverable loans costs such as advances for taxes and insurance, and filing fees. The average amounts exclude loan costs.



UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

Table II - Operating and Production and Subsistence Loans, Maturities and Collections,
Cumulative From November 1, 1946 Through June 30, 1965

State and territory	Cumulative loan obligations	Cumulative advances 1/	Matured principal	Collections			Principal		Unpaid principal balance	Ratio of principal repayments to matured principal
				Principal repayments	Interest payments	Total	Write-offs	Judgments		
	1	2	3	4	5	6	7	8	9	10
U. S. Total.....	\$3,160,111,433	\$3,159,363,395	\$2,533,354,090	\$2,420,361,800	\$241,261,685	\$2,661,623,485	\$29,472,138	\$3,627,715	\$705,901,742	95.58
Alabama.....	90,289,723	89,805,206	78,416,892	76,484,974	4,743,303	81,228,277	1,057,521	80,358	12,182,353	97.5
Alaska.....	1,964,900	2,041,944	1,688,642	1,315,339	1,186,512	1,501,851	9,254	735	716,616	97.9
Arizona.....	11,684,731	12,212,557	11,053,332	10,221,539	801,068	11,022,607	266,864	21,162	1,712,992	92.4
Arkansas.....	117,715,900	116,159,590	97,264,982	94,344,959	7,326,350	101,671,309	1,443,633	185,016	20,185,982	97.0
California.....	42,083,334	46,281,453	39,121,128	35,909,545	3,584,373	39,493,918	1,524,452	56,475	8,790,981	91.8
Colorado.....	62,990,051	62,510,861	53,225,741	48,389,851	4,797,931	53,187,782	597,436	115,360	13,408,214	90.9
Connecticut.....	3,230,151	3,429,139	2,280,631	2,060,682	1,165,215	2,561,313	63,360	8,917	1,076,231	94.8
Delaware.....	1,534,608	1,603,213	1,127,454	1,110,460	7,833	1,250,675	7,833	4,278	486,642	90.7
Florida.....	37,367,354	37,317,354	34,196,591	31,370,282	2,382,987	33,733,269	741,392	118,024	5,117,656	91.7
Georgia.....	120,894,289	120,683,019	102,994,256	100,102,321	6,202,075	106,304,396	1,559,860	132,751	18,888,087	97.2
Hawaii.....	4,685,352	4,670,748	3,937,327	3,665,564	451,517	4,117,080	61,177	0	944,007	93.1
Idaho.....	93,643,769	93,172,873	71,423,769	68,051,539	7,378,777	75,430,316	164,710	45,345	24,611,279	95.3
Illinois.....	104,601,438	95,238,581	82,626,352	80,345,523	8,350,923	88,696,446	561,793	25,698	24,305,567	97.2
Indiana.....	58,224,438	56,510,276	48,603,391	47,669,691	5,152,568	52,822,259	398,193	10,528	10,401,864	98.1
Iowa.....	103,240,624	103,567,071	70,927,572	70,398,176	9,445,606	79,843,782	213,313	26,308	32,929,274	99.3
Kansas.....	65,444,103	65,555,654	55,427,899	52,500,676	5,587,693	58,088,369	652,336	76,433	12,326,209	94.7
Kentucky.....	50,458,228	50,161,586	40,157,310	39,444,484	4,532,163	43,976,647	319,464	19,032	10,378,606	98.2
Louisiana.....	96,859,299	96,615,965	80,516,813	77,236,577	5,915,236	83,181,813	957,772	176,170	18,245,446	95.9
Maine.....	63,292,910	62,975,884	51,579,298	49,393,162	4,299,973	53,693,135	307,974	34,589	13,240,159	95.8
Maryland.....	16,127,717	16,308,367	13,763,026	13,200,152	1,799,554	14,999,706	141,308	18,437	2,948,470	95.9
Massachusetts.....	3,285,391	3,439,959	2,796,100	2,705,169	299,215	3,004,384	69,965	12,739	652,086	96.7
Michigan.....	64,015,844	64,191,270	50,722,613	48,769,734	7,041,903	55,811,637	40,971	10,971	14,525,437	96.1
Minnesota.....	85,728,209	85,744,851	60,490,618	58,281,794	7,856,031	66,137,825	416,147	32,742	27,011,468	96.3
Mississippi.....	110,208,987	109,531,708	88,885,019	85,429,317	7,849,207	93,278,950	2,124,657	24,607	21,762,741	96.1
Missouri.....	108,357,949	108,189,120	90,195,003	87,439,196	7,953,199	95,392,395	414,764	50,707	20,284,453	96.9
Montana.....	78,374,231	78,324,399	58,324,063	54,333,283	5,610,251	59,943,534	375,103	78,805	23,537,208	93.2
Nebraska.....	75,680,107	75,510,695	56,776,160	54,628,959	5,671,979	60,300,938	247,086	64,953	20,569,897	96.2
Nevada.....	6,985,468	7,091,383	5,207,143	4,377,312	499,381	4,876,693	129,447	6,596	2,578,028	84.1
New Hampshire.....	5,448,917	5,339,199	4,309,985	4,171,692	4,171,692	4,171,692	70,873	12,937	1,083,997	96.8
New Jersey.....	21,513,505	21,446,406	17,668,009	16,160,383	2,000,172	18,160,555	333,429	87,736	4,864,858	91.4
New Mexico.....	35,856,924	35,192,323	30,500,080	27,943,033	2,630,015	30,573,048	697,981	441,796	6,509,513	91.6
New York.....	64,993,389	65,087,478	44,867,080	42,995,084	6,544,210	49,539,294	716,131	159,841	21,216,422	95.8
North Carolina.....	115,767,992	115,438,831	125,221,819	123,520,315	7,644,087	131,164,402	1,083,781	111,521	20,723,214	98.6
North Dakota.....	89,769,963	88,654,314	59,703,992	54,916,317	8,383,644	63,299,961	326,725	231,637	33,179,435	92.0
Ohio.....	34,505,135	35,018,975	28,756,743	27,841,970	3,689,169	31,531,139	358,881	77,867	6,740,257	96.8
Oklahoma.....	122,632,664	120,914,447	101,925,011	97,727,688	10,637,509	108,365,197	776,305	174,138	22,236,316	95.9
Oregon.....	37,701,974	38,079,482	32,023,472	30,616,842	2,882,835	33,539,677	234,938	33,266	7,164,836	95.7
Pennsylvania.....	46,704,348	46,535,727	36,667,872	35,331,871	5,865,263	41,137,134	346,563	195,804	10,662,489	96.4
Rhode Island.....	544,340	544,340	427,770	420,027	44,828	461,855	9,317	7,100	104,896	98.2
South Carolina.....	67,926,299	67,763,666	61,941,687	59,913,745	3,490,100	63,403,845	1,092,923	85,654	6,671,364	96.7
South Dakota.....	98,260,378	97,623,700	63,893,575	58,619,839	8,690,985	67,310,824	289,438	43,908	38,670,515	91.7
Tennessee.....	55,533,100	55,536,527	45,078,334	43,568,579	4,092,105	47,660,684	431,103	8,193	11,528,652	96.6
Texas.....	318,752,099	319,415,351	264,911,512	244,399,941	19,904,074	264,304,015	4,622,485	315,800	70,077,425	92.3
Utah.....	36,251,320	36,324,476	26,819,132	25,426,780	3,013,293	28,440,073	106,969	59,241	10,731,486	94.8
Vermont.....	6,864,700	6,866,515	4,911,823	4,889,126	702,360	5,591,486	72,203	106	1,905,080	99.5
Virginia.....	30,265,703	30,372,036	25,370,735	24,322,530	2,466,517	26,789,047	266,940	16,068	5,766,508	95.9
Washington.....	74,292,990	75,036,086	60,013,530	57,246,904	5,582,374	62,829,278	592,197	121,234	17,075,751	95.4
West Virginia.....	22,354,646	21,936,279	15,928,982	15,271,695	2,438,653	17,710,348	87,909	23,766	6,552,909	95.9
Wisconsin.....	75,004,196	74,704,110	61,755,669	59,910,321	7,755,638	58,665,959	359,539	57,696	23,376,558	98.3
Wyoming.....	48,893,333	48,362,933	36,924,748	36,745,290	3,575,716	40,321,006	456,319	36,307	11,143,017	94.4
Puerto Rico.....	44,759,967	44,747,716	37,197,716	37,462,138	2,505,577	39,967,715	164,603	38,173	4,082,559	100.7
Virgin Islands.....	529,075	532,075	520,260	515,095	44,377	559,472	948	0	16,032	99.0

1/ Cumulative advances by states include the face amounts of individual notes owed by borrowers transferring from one state to another while still indebted.



(b) Agricultural Credit Insurance Fund

Establishment and Operation of the Fund:

The Farmers Home Administration's insured loan program authorities under subtitle A of the Farmers Home Administration Act of 1961, as amended, are operated through this fund. Insured farm labor housing loans and insured rental housing loans for the elderly, formerly operated through this fund in accordance with sections 514 and 515(b) of the Housing Act of 1949, as amended, have been transferred to the Rural Housing Insurance Fund pursuant to section 517 of that Act.

Insured Loan Program Levels:

	1965 <u>Actual</u>	1966 <u>Estimated</u>	1967 <u>Estimated</u>
Farm ownership	\$137,591,300	\$225,000,000	\$230,000,000
Soil and water	62,408,240	120,000,000 ^{1/}	130,000,000
Farm labor housing	47,480	700,000	---
Rental housing for the elderly	897,140	250,000	---
Total	<u>\$200,944,160</u>	<u>\$345,950,000</u>	<u>\$360,000,000</u>

^{1/} A \$20 million increase above the 1966 budget estimate for insured loans to associations has been approved. This increase is for insured association loans to public bodies which increased from an estimate of \$15 million to \$35 million.

Some insured loans are made directly from the fund for later block sale to private investors. However, not more than \$50 million for farm ownership and soil and water loans may be held in the fund at any one time. The other insured loans are made directly by the lenders and insured under the fund. The insurance endorsement guarantees the loan repayment and may provide the lender an optional redemption period. Insured loans are serviced by the Farmers Home Administration with the financial transactions between the borrower and the lender and between the Government and the lender processed through the fund.

The fund was initially established by an appropriation of \$1 million (Appropriation Act of 1948 - 61 Stat. 545). Principal and interest repayments on insured loans are deposited into the fund as received from the borrowers and are paid annually to the lenders. Loans made from the fund or redeemed from lenders are obligations. Loans sold from the fund are receipts. Whenever obligations become greater than available receipts the fund is augmented by borrowings from the Treasury.

Availability of private capital controls the success of the insured loan programs and requires constant awareness to the money market. Sale of insured loans to private investors are controlled by adjusting the optional redemption period and/or the interest rate to the lender as needed in line with changes in availability of credit. Farmers Home Administration insured loans are not sold at a discount.

Insured farm ownership and soil and water loans are made at a maximum interest rate of 5% to the borrower. One half of one percent of the outstanding principal may be retained in the fund for losses; retained interest in excess of $\frac{1}{2}$ percent may be used for administrative expenses. For 1966, \$2,250,000 will be used for administrative expense and \$2,250,000 is proposed for 1967.

Assets of the capital fund, including receivables, are estimated to be approximately \$121,498,000 at June 30, 1966. The investment of the Government on this date is estimated to consist of \$1 million in appropriations, \$88,360,000 in borrowings from the Treasury and \$23,419,000 in retained earnings.

Insurance charges made available for administrative expenses are transferred to the Farmers Home Administration's "Salaries and expenses" account to help meet the costs of servicing the insured loan programs. There are no employees paid directly from this fund.

(c) Rural Water and Waste Disposal Grants

Supplemental Appropriation Act, 1966	\$20,000,000
Budget Estimate, 1967	26,000,000
Increase (for development grants)	<u>+6,000,000</u>

PROJECT STATEMENT

Project	: 1965	: 1966	: Increase	: 1967
		: Estimate		: Estimate
1. Planning grants	: - -	: \$3,000,000	: - -	: \$3,000,000
2. Development grants	: - -	: 17,000,000	: +\$6,000,000(1)	: 23,000,000
Total available or estimate ...	: - -	: 20,000,000	: +6,000,000	: 26,000,000

(1) An increase of \$6,000,000 for grants to help finance the development of specific projects for the storage, treatment, purification or distribution of water and for the collection, treatment or disposal of waste in rural areas. Funds are needed to carry out the new programs to provide financial assistance to associations, including corporations not operated for profit, and public and quasi-public agencies to finance specific projects for works for the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas.

The Farmers Home Administration program of loans for rural water systems has been eminently successful. This past fiscal year 531 communities were assisted through these loans. However, this made but a small impact on the total of 30,000 rural communities without adequate water supplies. In many of these communities the limited debt repayment ability is not sufficient to allow them to qualify for loans to establish adequate water supply or waste disposal systems which are so sorely needed. For this reason, the need for the grant program for these systems is real and immediate. In some cases the need for grant funds is traceable to the low incomes of many of the prospective users, in other cases to the high cost of locating a good water supply or building, under difficult conditions, an adequate water distribution or waste disposal system.

Thousands of communities have health problems growing out of years of contamination. This evil affects not only the immediate community but all the downstream populated areas which depend upon the polluted watershed for their water supply. Numerous inquiries have already been received from disadvantaged communities seeking this kind of assistance to make a start in the direction of minimum adequate water and sewer services. Without the assistance envisioned by Congress in passing Public Law 89-240, many of the rural people in these disadvantaged communities would never have the basic advantages which urban people take for granted.

The Supplemental Appropriation Act, 1966, provided the amount of \$20 million for planning grants and development grants in order to initiate the programs authorized by Public Law 89-240.



STATUS OF PROGRAM

Grants for the Preparation of Comprehensive Plans for the Development of Water or Sewer Systems in Rural Areas Under Section 306 of the Consolidated Farmers Home Administration Act, as Amended

Section 306 of the Consolidated Farmers Home Administration Act, as amended, by Public Law 89-240 on October 7, 1965, provides appropriation authority for grants for the preparation of official comprehensive plans for the development of water or sewer systems. Grants made under this authority may not aggregate more than \$5 million in any fiscal year.

1. Eligibility of Applicants: Grants for the preparation of comprehensive water and sewer plans may be made to public bodies such as counties, townships, planning commissions, and similar units or instrumentalities of government, and such other agencies as may have authorization to prepare official comprehensive area plans for the development of water or storage systems in rural areas and which do not have the resources immediately available to undertake the preparation of such plans. To be eligible, the applicant must have a clear authorization to prepare comprehensive plans that are official plans under State laws or to create planning boards or commissions which may prepare such plans under its direction.
2. Limits: The amount of each grant for the preparation of an official comprehensive water and sewer plan will be limited to actual expenses for the preparation of the plan which are outside the normal budget of the recipient organization. No loan or grant shall be made under this section of the Act which would cause the unpaid principal indebtedness of any association, under the Consolidated Farmers Home Administration Act and under the Act of August 28, 1937, as amended, together with the amount of any assistance in the form of a grant, to exceed \$4 million at any one time.
3. Scope of Program: It is estimated that grants totaling \$3 million will be made for the preparation of comprehensive water and sewer plans in fiscal year 1966.

Grants for Water and Sewer Development Costs Under Section 306 of the Consolidated Farmers Home Administration Act, as Amended

Section 306 of the Consolidated Farmers Home Administration Act, as amended by Public Law 89-240 on October 7, 1965, provides appropriation authority for grants for the development costs of water and sewer projects. Grants made under this authority may not aggregate more than \$50 million in any fiscal year.

1. Eligibility of Applicants: Development grants are made to associations, including corporations operating on a nonprofit basis, municipalities, public authorities, districts, and similar organizations, generally designated as public or quasi-public agencies, that propose projects for development, storage, treatment, purification, and distribution of domestic water or the collection, treatment, or disposal of waste in rural areas. Grants may be made to assist eligible applicants to pay for part of the development cost of such projects if grants are necessary to reduce user charges to a reasonable level. Combined loans and grants may be made when the applicant is able to repay part, but not all, of the project costs.

Grants may also be made to supplement other funds borrowed or furnished by applicants to pay development costs. An eligible project must serve a rural area which is not likely to decline in population below that for which the facility is designed, must be designed and constructed so that adequate capacity will be or can be made available to serve the present population to the extent feasible and also serve the reasonable foreseeable growth needs of the area, and must be consistent with comprehensive community water or sewer development plans for the rural area. Applications for loans and grants for water or waste disposal systems must be submitted to the local, county, or municipal government in which the proposed project is to be located for review and comment.

2. Limits: Water and sewer development grants may not exceed 50 percent of the development cost of the project. The development cost may include the cost of construction of the proposed facility, including rights-of-way and land rights, water rights, engineering fees, legal fees, administrative costs in connection with construction and acquisition, and interest during the development period on any funds borrowed to perform such development. No loan or grant shall be made under this section of the Act which would cause the unpaid principal indebtedness of any association, under the Consolidated Farmers Home Administration Act and under the Act of August 28, 1937, as amended, together with the amount of any assistance in the form of a grant, to exceed \$4 million at any one time.
3. Scope of Program: It is estimated that grants totaling \$17 million will be made to help cover the development costs of water and sewer projects in fiscal year 1966.

(d) Rural Housing Direct Loan Account

	<u>Appropriation</u>	<u>Loan Authorization</u>
Appropriation Act, 1966 and base for 1967	\$2,500,000	\$65,450,000
Budget Estimate, 1967	- -	15,000,000
Decrease	<u>-2,500,000</u>	<u>-50,450,000</u>

Note: In 1966, an appropriation of \$2,500,000 was made for the Rural Housing for the Elderly Revolving Fund. This appropriation was transferred into the Rural Housing Direct Loan Account under the authority of the Housing and Urban Development Act of 1965. No appropriations are required in 1967 since balances of funds in the account are sufficient to cover estimated loans.

For 1967 loan authorizations of \$15,000,000 are being requested for ~~this item~~. In order to provide comparative data, estimated loans for 1966 are shown as the "base for 1967"; and the following project statement is prepared on the basis of actual and estimated loans.

PROJECT STATEMENT

Project	1965	1966 :(estimated):	Decrease	1967 (estimated)
Loan authorizations:				
1. Building loans ...	\$130,975,987	\$60,450,000	-\$50,450,000	\$10,000,000
2. Elderly rental housing loans ..	1,120,390	5,000,000	- -	5,000,000
Total, loan authorization	132,096,377	65,450,000	-50,450,000(1)	15,000,000

(1) A decrease of \$50,450,000 for direct rural housing loans. The increased demand for rural housing loans will be met through the use of the Rural Housing Insurance Fund established pursuant to Public Law 89-117.

Estimated loan levels, including insured loans, are as follows:

	<u>1966 (est.)</u>	<u>1967 (est.)</u>	<u>Increase (+) or Decrease (-)</u>
Direct loans	\$65,450,000	\$15,000,000	-\$50,450,000
Insured loans	309,050,000	375,000,000	+65,950,000
Total	<u>374,500,000</u>	<u>390,000,000</u>	<u>+15,500,000</u>

The following tabulation reflects the status of the Rural Housing Direct Loan Account:

	<u>1965</u> <u>actual</u>	<u>1966</u> <u>estimated</u>	<u>1967</u> <u>estimated</u>
Balance available from prior years ..	\$96,109,579	\$119,626,359	\$105,393,359
Appropriation or borrowing authority	155,000,000	2,500,000	- -
Loan collections	60,701,684	70,217,000	71,599,000
Total available	<u>311,811,263</u>	<u>192,343,359</u>	<u>176,992,359</u>
Loan obligations or authorizations ..	-132,096,377	-65,450,000	-15,000,000
Administrative expense	-500,000	-500,000	- -
Payment of interest to Treasury	-19,799,764	-21,000,000	-22,000,000
Payment of principal to Treasury	-40,901,860	- -	- -
Adjustment of prior year obligation .	+1,113,097	- -	- -
Balance available in subsequent years	<u>119,626,359</u>	<u>105,393,359</u>	<u>139,992,359</u>

STATUS OF PROGRAM

Rural Housing Direct Loan Account Under Title V of the Housing Act of 1949, as Amended

Title X of Public Law 89-117 (Housing and Urban Development Act of 1965), approved August 10, 1965, amended title V of the Housing Act of 1949 to provide for the establishment of a Rural Housing Direct Loan Account. This amendment also authorized the transfer to the Rural Housing Direct Loan Account of (1) all funds, claims, notes mortgages, contracts, and property, and all collections and proceeds therefrom under the direct loan provisions of title V of the Housing Act of 1949 and any unexpended balances of amounts borrowed from the Secretary of the Treasury under section 511 of the Act, and (2) all unexpended balances of appropriations for direct loans under title V, including funds authorized for direct elderly rental housing loans by section 515(a) of the Act.

A. Building Loans

1. Eligibility of Applicants: Direct building loans are made to (1) farm owners, owning farms as defined by the Act, (2) owners of other real estate in rural areas, (3) other rural residents, and (4) leaseholders of farms if the unexpired terms of the lease run sufficiently beyond the repayment period of the loan to provide adequate security and a reasonable prospect of accomplishing the objectives of the loan. Public Law 89-117 permits applicants to buy a building site or previously occupied buildings.
2. Security: A mortgage is required to be taken on the applicant's land in most cases, but small loans to be repaid in less than 10 years may be secured by either real estate or chattels. Loans for less than \$1,500 may be secured only by the borrower's promissory note.
3. Terms of Loans: These loans may be amortized in not more than 33 years at an interest rate not in excess of 5 percent.

B. Enlargement and Development Loans

1. Eligibility of Applicants: Direct farm enlargement and development loans, along with building loans, are made to farm owners on potentially adequate farms who can develop their farms within five years so as to increase their income sufficiently to repay the loans. Funds are not available for these loans in fiscal year 1966.
2. Terms of Loans: These loans may be amortized in not more than 33 years at an interest rate not in excess of 5 percent.
3. Contribution Credits: A borrower who receives a farm enlargement and development loan, along with a building loan, may receive a contribution credit of not to exceed all of the interest due for the year and one-half of the principal installment due on any of the first five installments provided his income is actually insufficient at the time to meet the full amount of the installment.

C. Loans For Rental Housing for the Elderly

1. Eligibility of Applicants: Direct loans for rental housing for the elderly are made to private nonprofit associations and consumer

cooperatives which cannot provide such housing with their own resources or obtain credit elsewhere to do so.

2. Loan Purposes: These loans are made to provide modest cost rental housing and related facilities for elderly persons and elderly families of low or moderate income in rural areas. Elderly persons for the purpose of this program are defined by law as those persons who are 62 years of age or over.
3. Terms of Loans: These loans may be made for a period up to 50 years at an interest rate of 3 percent.
4. Security: These loans are secured by the best lien obtainable on the real property to be improved. Liens may also be taken on other property owned by the applicant and assignments of income may be required to assure payment of the loan.

Status of Rural Housing Loans

During the 1965 fiscal year, a total of \$130,949,537 was obligated for building loans, \$26,450 for enlargement and development loans, and \$1,120,390 for loans for rental housing for the elderly. Such obligations totaled \$132,096,377.

During the 1966 fiscal year, it is estimated that obligations for building loans will total \$60,450,000. Loans for rental housing for the elderly will total \$5,000,000. Such loans obligations total \$65,450,000. Most rural housing loans will be made on an insured basis under the new Rural Housing Insurance Fund.

1. Applications: During the 1965 fiscal year a total of 38,803 applications for new loans were received. Loan applications on hand June 30, 1965 totaled 16,153. It is expected that applications for both direct and insured loans in 1966 will approximate 60,000.
2. Number and Amount of Direct Rural Housing Loans: The following tables show the number and amount of rural housing loans made for the fiscal year 1965, and the estimates for the 1966 fiscal year.

1965 (actual)

<u>Type</u>	<u>Building loans</u>		<u>Enlargement and Development loans</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
<u>Direct Loans</u>				
Initial:				
Sec. 502 loans:				
Building-regular	12,730	\$121,018,360	--	--
Building-elderly	1,649	7,584,080	--	--
Subsequent:				
Sec. 502 loans:				
Building-regular	526	1,580,638	--	--
Building-elderly	55	52,339	--	--
Initial:				
Sec. 503 loans	19	110,900	(14)	\$26,450
Initial and Subsequent:				
Sec. 504:				
Loans only	744	584,790	--	--
Loans with grants	45	18,430	---	---
Initial:				
Rental housing for the elderly	<u>11</u>	<u>1,120,390</u>	<u>--</u>	<u>--</u>
Total	15,779	\$132,069,927	(14)	\$26,450

<u>Type</u>	<u>1966 Estimate</u>	
	<u>Building loans</u>	
	<u>Number</u>	<u>Amount</u>
<u>Direct Loans</u>		
Initial:		
Sec. 502 loans:		
Building - regular	5,200	\$48,850,000
Building - elderly	1,635	9,800,000
Subsequent:		
Sec. 502 loans:		
Building - regular	400	1,000,000
Building - elderly	80	200,000
Initial:		
Sec. 504 loans:		
Building repair	700	600,000
Initial:		
Rental housing for elderly	<u>30</u>	<u>5,000,000</u>
Total	8,045	\$65,450,000

3. Use of Loan Funds: A total of 11,314 new dwellings at an estimated cost of \$121,635,290 were planned by the 14,398 borrowers receiving initial Section 502 and 503 building loans in fiscal year 1965. There were 5,568 dwellings to be repaired and 822 other farm buildings were planned to be constructed or repaired through the proceeds of all initial loan funds.

About 88 percent of the 1965 funds were planned to be used for new dwellings. The average planned cash cost of new dwellings was \$10,912, including loan funds and cash contributions by borrowers but not including any labor contribution by the borrower.

4. Loan Repayments: Rural housing loans are made with an annual common maturity date of January 1. As of January 1, 1965, \$783,423,053 had been advanced to 97,564 borrowers under the rural housing program. Principal payments of \$176,269,226 and interest payments of \$97,433,054 had been made. The principal and interest payments included contributions in the amount of \$144,583 which were applied to some borrowers' accounts with Section 503 loans to assist them in developing adequate farms. Principal write-offs and judgments totaled \$137,521.

By January 1, 1965, 19,321 borrowers had paid their rural housing loans in full. As of the same date, cumulative annual installments in the amount of \$141,219,824 were due from the 78,243 borrowers with outstanding loan balances. The regular principal and interest payments on these installments were \$147,436,325. This represents cumulative regular payments to cumulative installments of 104 percent. Extra payments and refunds of \$6,837,647 were also applied to these borrowers' accounts. On January 1, 53 percent of the total borrowers with outstanding loan balances were ahead of schedule an average of \$221 and only 7 percent were behind schedule an average of \$497.

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION
Table I - Total Rural Housing Loans: Funds Obligated and Furnished by Borrowers, and Use of Funds,
1965 Fiscal Year

State and territory	Initial loans and grants																	Total amount of loans and grants	
	Number	Amount of funds				Use of funds										Number of subsequent loans and grants	Amount of subsequent loans, grants and loan costs 1/		
		Loans	Grants	Furnished by borrower	Total	Dwellings		Repair		Other buildings (new and repair)		Water systems		Land purchase and development					Amount of fees
						Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount				
U. S. Total:	17,191	\$129,339,300	\$1,911,350	\$137,970	\$130,087	11,311	\$121,635,290	5,568	\$10,285,860	822	\$2,014,050	4,857	\$2,612,270	14	\$26,150	625	\$1,614,357	\$132,898,007	
Percent distribution:																			
Alabama.....	816	6,695,950	64,760	329,110	7,089,820	654	6,631,170	151	228,810	9	23,170	366	113,000	0	0	21	93,211	6,853,921	
Alaska.....	102	716,900	0	4,760	721,660	26	515,130	28	61,820	3	27,860	24	33,090	0	0	4	24,515	774,415	
Arizona.....	602	6,165,500	1,000	5,970	6,231,520	53	5,132,920	50	61,820	0	0	16	13,090	0	0	0	90	6,171,415	
Arkansas.....	1,024	6,265,180	53,270	394,920	6,713,370	693	5,990,760	303	516,100	4	7,220	295	116,910	1	1,100	38	143,163	6,361,913	
California.....	135	1,127,850	3,620	44,110	1,175,580	108	1,307,550	17	56,920	12	56,630	41	37,090	0	0	6	17,399	1,148,869	
Colorado.....	101	1,001,550	4,990	20,030	1,026,570	69	939,370	28	65,630	4	3,760	16	11,040	0	0	12	13,823	1,053,363	
Connecticut.....	11	125,160	0	8,710	134,200	9	121,410	1	3,500	0	0	8	7,950	0	0	4	11,680	137,110	
Delaware.....	13	160,960	0	10,920	171,880	13	169,420	0	0	0	0	1	510	0	0	0	98	161,058	
Florida.....	882	3,352,290	38,160	203,780	3,673,230	311	3,339,390	126	186,050	10	20,200	82	36,810	0	0	6	11,779	3,405,292	
Georgia.....	846	7,186,180	138,170	1,011,110	7,726,060	665	7,136,570	211	303,150	12	36,560	363	177,190	0	0	12	26,507	7,351,457	
Hawaii.....	93	1,044,000	0	11,100	1,055,100	85	989,900	7	30,090	5	29,770	5	1,470	0	0	3	6,815	1,050,815	
Idaho.....	116	1,600,810	1,000	69,010	1,670,820	104	1,390,120	38	202,260	12	28,880	44	38,030	0	0	9	15,998	1,617,838	
Illinois.....	221	1,168,780	61,340	34,510	1,264,630	116	1,106,510	98	123,050	1	1,000	41	25,680	1	3,240	5	25,457	1,255,577	
Indiana.....	154	1,505,350	19,410	169,910	1,694,670	116	1,440,870	31	35,670	5	13,350	20	8,650	1	1,400	4	8,128	1,463,536	
Iowa.....	270	2,431,360	20,270	131,430	2,583,060	169	2,226,960	90	237,910	26	65,210	36	23,610	1	11,690	6	25,594	2,477,124	
Kansas.....	288	2,150,230	36,810	93,280	2,280,320	167	1,990,090	101	207,720	30	39,250	53	29,990	0	0	14	26,364	2,213,404	
Kentucky.....	916	3,601,620	453,220	158,810	4,213,650	311	3,390,120	640	618,720	11	10,670	465	169,660	0	0	26	28,766	4,084,716	
Louisiana.....	392	3,107,220	19,860	151,010	3,278,110	318	3,065,100	165	112,710	8	9,400	61	27,990	0	0	3	8,010	3,135,110	
Maine.....	418	1,681,770	50,950	12,650	1,745,370	106	1,102,110	263	508,920	20	29,720	109	95,970	0	0	48	71,475	1,807,129	
Maryland.....	93	1,032,680	780	44,120	1,077,860	64	1,023,710	7	29,520	1	10,650	1	9,570	0	0	1	1,635	1,035,695	
Massachusetts.....	13	100,010	0	3,630	103,670	7	82,580	4	15,710	1	1,500	3	3,050	0	0	2	2,500	102,510	
Michigan.....	213	2,303,970	5,310	150,130	2,459,270	163	2,115,590	44	212,090	14	39,100	102	17,060	0	0	17	55,636	2,361,866	
Minnesota.....	314	2,759,910	11,870	203,110	2,974,890	208	2,512,850	85	251,260	57	136,990	36	23,710	0	0	19	66,075	2,837,885	
Mississippi.....	1,139	6,276,630	220,510	268,210	6,745,350	911	7,571,590	507	886,970	6	3,370	382	225,480	1	150	39	77,110	8,577,577	
Missouri.....	1,076	6,165,510	125,440	248,390	6,539,340	585	6,100,830	459	499,340	12	8,230	250	201,070	4	4,620	41	15,176	6,636,126	
Montana.....	137	1,122,580	1,000	64,290	1,187,870	95	1,252,210	36	160,970	25	38,750	25	23,520	0	0	10	23,834	1,147,411	
Nebraska.....	116	1,206,160	10,120	118,170	1,335,050	89	1,121,300	50	117,500	21	66,010	21	19,260	0	0	3	9,155	1,225,735	
Nevada.....	9	99,150	1,000	6,550	1,06,700	7	1,000	0	0	0	0	3	2,160	0	0	0	188	100,338	
New Hampshire.....	53	506,870	1,300	11,160	518,330	41	489,510	7	7,500	7	7,500	7	7,560	0	0	3	4,300	511,470	
New Jersey.....	115	1,169,700	4,000	86,930	1,260,630	117	1,131,870	27	100,150	1	1,500	12	11,870	0	0	15	19,316	1,189,046	
New Mexico.....	213	1,278,120	13,000	36,180	1,327,300	90	1,000,300	109	217,170	10	16,330	67	50,750	0	0	9	13,497	1,304,617	
New York.....	224	2,102,210	26,030	74,020	2,202,260	151	2,032,530	54	74,710	8	15,600	64	53,300	0	0	6	10,209	2,168,449	
North Carolina.....	1,124	8,157,320	120,670	387,920	8,665,910	715	7,839,830	375	609,160	12	18,400	402	116,730	0	0	14	21,691	8,299,681	
North Dakota.....	274	2,509,070	17,310	92,770	2,619,150	174	2,366,910	101	190,650	28	38,370	31	25,810	2	1,000	7	22,939	2,579,319	
Ohio.....	126	1,335,950	4,300	97,000	1,437,250	99	1,312,780	20	56,680	20	52,450	12	11,610	0	0	10	32,898	1,369,278	
Oklahoma.....	503	3,901,530	41,890	241,020	4,184,440	373	3,834,160	121	239,810	30	44,520	95	51,100	0	0	20	41,078	3,987,498	
Oregon.....	89	831,100	1,810	23,250	835,160	62	722,160	17	64,620	8	18,060	22	15,120	0	0	9	105,019	1,504,829	
Pennsylvania.....	184	1,976,200	12,750	74,710	2,063,660	144	1,928,100	34	90,180	6	6,510	32	20,610	0	0	8	84,116	2,073,096	
Rhode Island.....	5	23,200	0	0	23,200	2	17,530	0	0	0	0	0	0	0	0	0	0	23,200	
South Carolina.....	643	4,976,860	67,910	322,260	5,366,030	470	4,916,600	169	331,390	7	3,900	200	66,090	0	0	19	44,831	5,089,631	
South Dakota.....	223	1,177,050	2,760	129,160	1,608,970	85	1,132,020	70	236,190	85	172,310	53	54,440	0	0	27	105,019	1,584,829	
Tennessee.....	977	7,505,700	20,110	369,060	7,894,870	775	7,329,160	184	304,910	25	55,990	306	156,730	0	0	30	63,047	7,588,867	
Texas.....	852	6,959,320	47,730	378,710	7,385,760	618	6,756,770	209	360,910	14	17,630	194	149,770	0	0	14	43,494	7,050,944	
Utah.....	138	1,365,100	6,780	63,990	1,435,870	98	1,266,290	39	169,810	4	10,600	5	3,930	0	0	11	22,771	1,394,651	
Vermont.....	40	151,810	11,460	2,900	166,170	7	89,710	25	59,680	4	6,510	12	9,170	0	0	2	7,512	170,612	
Virginia.....	297	2,720,080	12,270	197,750	2,929,100	256	2,720,760	34	78,680	7	21,780	210	88,800	0	0	8	11,588	2,756,938	
Washington.....	156	1,728,000	260	52,350	1,780,610	109	1,448,520	33	176,920	42	118,000	29	23,170	0	0	20	21,100	1,822,100	
West Virginia.....	340	2,270,110	70,590	133,300	2,474,000	188	2,180,210	119	260,180	7	11,220	112	12,680	0	0	2	2,869	2,351,539	
Wisconsin.....	374	3,095,130	24,230	201,160	3,320,610	176	2,935,100	117	311,190	171	54,710	57	42,000	1	1,000	31	99,956	3,122,606	
Wyoming.....	92	992,390	4,810	52,650	1,050,050	66	927,100	23	85,190	3	17,980	13	12,410	0	0	6	19,085	1,016,485	
Puerto Rico.....	146	1,968,950	33,120	46,760	2,048,830	200	1,694,100	208	318,380	14	9,500	18	10,750	2	3,250	3	12,048	2,011,318	
Virgin Islands.....	23	323,000	0	4,720	327,720	23	281,700	0	0	0	0	23	43,800	0	0	0	0	323,000	

Note: In addition, the following loans were made: Insured Labor Housing, 10 initial for \$34,710 and 1 subsequent for \$12,710; direct Rental Housing, 11 initial for \$1,120,390; and Insured Rental Housing, 21 initial for \$667,110 and 3 subsequent for \$230,000.

1/ "Loan costs" represent the amounts advanced to borrowers for such purposes as the payment of taxes, insurance premiums, etc. Loan costs appear opposite three states reporting no number of loans.

* Less than 0.05 percent.



Table II - Rural Housing Loans on Only Nonfarm Tracts: Funds Obligated and Furnished by Borrowers, and Use of Funds, 1965 Fiscal Year

State and territory	Initial loans and grants														Total amount of loans and grants			
	Amount of funds					Use of funds												
	Number	Loans	Grants	Furnished by borrower	Total	Dwellings			Other buildings (new and repair)		Water systems		Amount of fees					
						New 1/2	Number	Amount	Repair	Number	Amount	Number		Amount				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		
U. S. Total: Percent distribution. Amount.....	13,915	\$107,450,030	\$1,579,800	\$5,505,150	\$114,534,980	100.0%	9,667	\$104,187,350	4,107	\$7,356,600	99	\$173,380	3,805	\$1,997,810	\$819,840	0.7%	\$43,880	\$109,463,710
Alabama.....	532	4,520,090	38,180	245,350	4,803,620		449	4,534,400	80	127,900	2	120	248	98,670	42,530		15,760	4,574,030
Alaska.....	51	626,400	0	3,530	629,930		22	155,200	25	155,480	1	860	19	23,520	4,870		10,500	636,900
Arizona.....	817	615,550	1,000	5,970	531,920		53	531,920	49	61,220	0	15	12,690	4,690	0		0	616,550
Arkansas.....	101	5,161,750	47,000	360,300	5,569,050		579	5,042,430	231	384,500	1	250	222	140,530	40,340		16,230	5,624,980
California.....	109	1,099,790	3,620	34,520	1,137,930		90	1,051,650	14	46,370	1	1,000	32	25,380	13,530		7,580	1,110,990
Colorado.....	77	822,530	4,990	18,600	846,120		59	799,370	17	31,680	0	9	7,500	7,570	6,510		6,510	834,030
Connecticut.....	11	121,250	0	8,740	134,200		9	121,250	1	3,500	0	8	7,950	1,310	137,140		11,680	137,140
Delaware.....	13	166,960	0	10,920	171,880		13	169,420	0	0	0	1	540	0	160,960		0	166,960
Florida.....	380	2,844,570	37,160	184,740	3,066,470		268	2,868,130	108	157,970	0	71	30,750	9,620	3,010		3,010	2,884,740
Georgia.....	786	6,473,950	126,690	381,300	6,981,940		605	6,516,920	182	244,560	3	9,450	317	146,280	64,730		8,500	6,609,140
Hawaii.....	884,760	0	0	11,100	895,860		76	878,630	3	13,150	0	0	0	1,220	2,960		0	884,760
Idaho.....	99	1,413,700	1,000	55,670	1,200,370		81	1,067,930	20	96,130	0	0	36	28,340	7,880		0	1,144,700
Illinois.....	197	1,258,890	60,210	27,390	1,346,190		101	1,327,490	90	94,120	0	0	35	20,480	4,600		4,550	1,323,650
Indiana.....	133	1,271,300	18,660	44,800	1,337,760		104	1,302,640	26	21,800	0	0	19	7,650	5,670		7,830	1,300,790
Iowa.....	208	1,999,560	17,770	106,160	2,123,490		146	1,928,800	63	166,590	2	1,310	23	13,210	13,580		6,300	2,023,630
Kansas.....	229	1,892,770	35,810	87,620	2,016,200		153	1,838,050	70	132,640	3	14,250	37	19,430	11,530		6,450	1,935,030
Kentucky.....	709	2,912,110	344,780	136,250	3,390,140		255	2,868,970	466	450,300	0	343	130,740	22,130	3,268,310		2,000	3,268,310
Louisiana.....	334	2,709,500	17,500	140,180	2,867,180		19	2,700,250	19	112,790	3	2,450	52	22,990	28,700		2,000	2,729,000
Maine.....	377	1,591,070	46,950	12,550	1,650,570		102	1,600,740	238	476,730	11	12,580	102	89,250	11,270		53,100	1,691,120
Maryland.....	92	1,021,680	780	44,420	1,066,880		84	1,023,740	7	29,620	0	0	10	4,030	9,490		0	1,022,460
Massachusetts.....	181	97,040	0	3,630	100,670		7	82,580	3	147,010	0	0	3	3,050	830		0	97,040
Michigan.....	184	2,033,980	4,810	145,200	2,183,990		150	1,975,090	31	117,210	4	4,970	94	43,880	13,040		12,810	2,051,600
Minnesota.....	196	1,960,510	5,890	130,230	2,096,630		159	1,962,480	36	112,360	5	4,670	13	4,840	12,280		2,500	1,968,990
Mississippi.....	1,086	6,547,000	158,590	224,620	7,030,250		741	6,185,040	336	630,140	2	1,460	254	151,970	61,650		27,380	6,833,020
Missouri.....	960	5,231,420	116,980	238,810	5,287,210		547	5,705,720	398	401,160	4	4,110	199	154,820	21,400		22,520	6,070,920
Montana.....	85	932,200	1,000	46,340	979,540		67	868,060	20	80,030	4	5,560	17	17,880	8,010		4,400	937,200
Nebraska.....	105	856,190	10,420	90,840	957,450		70	865,720	40	75,900	4	20	10	10,530	5,280		1,000	866,710
Nevada.....	51	70,750	1,000	2,650	74,400		5	74,400	1	7,000	0	0	3	2,180	920		0	71,750
New Hampshire.....	7	503,370	300	11,110	514,780		41	489,510	6	4,000	5	6,000	2	7,560	2,710		4,300	507,970
New Jersey.....	135	1,429,910	4,000	86,430	1,590,340		115	1,415,020	20	78,360	0	0	12	11,870	15,090		16,200	1,450,110
New Mexico.....	171	1,076,900	12,000	30,750	1,119,650		81	890,710	80	173,880	2	6,650	51	38,020	10,390		4,400	1,093,000
New York.....	205	2,038,880	24,550	68,880	2,132,310		148	2,001,030	44	52,140	1	1,500	63	52,800	24,840		6,990	2,070,420
North Carolina.....	995	7,608,500	99,260	369,730	8,077,490		699	7,990,580	295	495,860	6	6,740	374	108,070	76,040		10,970	7,718,730
North Dakota.....	211	1,919,650	40,540	75,030	2,035,220		137	1,848,500	79	151,860	2	2,310	14	14,900	17,650		16,570	1,976,760
Ohio.....	95	1,109,060	430	87,610	1,197,100		87	1,164,070	9	20,310	3	4,000	8	3,210	5,510		6,000	1,115,490
Oklahoma.....	404	3,044,130	40,890	194,070	3,279,090		298	3,061,230	107	160,050	5	10,230	70	35,290	12,290		8,100	3,093,120
Oregon.....	65	639,040	1,810	22,070	663,220		52	611,370	11	62,980	3	32,980	0	18	44,750		2,900	643,750
Pennsylvania.....	170	1,915,900	11,750	73,350	2,000,000		144	1,883,470	28	81,350	1	600	29	18,020	17,560		6,440	1,934,090
Rhode Island.....	4	9,500	0	0	9,500		1	4,000	2	3,000	0	0	2	2,350	150		0	9,500
South Carolina.....	548	4,411,160	52,030	306,650	4,769,840		421	4,423,230	123	245,330	1	50	170	57,780	43,450		21,750	4,484,940
South Dakota.....	94	781,160	2,330	80,080	863,570		56	716,170	37	127,260	4	4,940	15	9,450	5,750		8,160	791,650
Tennessee.....	799	6,303,400	15,650	337,710	6,656,760		660	6,265,200	135	225,890	6	3,120	241	123,050	39,500		18,940	6,737,990
Texas.....	679	5,457,990	45,130	320,260	5,823,380		496	5,363,100	273	290,860	3	47,890	140	98,970	22,560		10,840	5,513,950
Utah.....	104	1,059,250	6,780	14,160	1,140,150		81	1,040,710	17	93,120	0	0	3	2,880	3,450		6,750	1,072,780
Vermont.....	32	126,910	11,460	2,900	141,270		7	89,710	21	45,080	1	150	9	5,570	760		2,000	140,370
Virginia.....	251	2,360,760	11,880	180,440	2,553,050		226	2,397,240	23	48,670	0	0	189	41,380	25,760		3,200	2,375,840
Washington.....	99	1,131,710	260	28,400	1,160,370		79	1,036,700	0	97,190	0	2,450	12	15,620	8,410		1,440	1,146,950
West Virginia.....	298	2,402,890	61,760	125,320	2,589,970		175	2,005,510	122	226,100	3	7,970	95	35,040	16,250		2,500	2,457,150
Wisconsin.....	216	2,065,870	19,800	133,370	2,219,040		148	1,959,220	66	244,280	4	4,820	36	24,260	16,460		14,890	2,100,560
Wyoming.....	75	882,460	3,850	51,540	937,850		61	864,600	13	53,740	1	1,500	12	11,610	6,400		2,070	888,380
Puerto Rico.....	222	1,480,100	15,550	37,900	1,533,550		157	1,367,760	65	155,430	0	0	1	800	9,560		1,500	1,497,150
Puerto Rico Islands.....	23	323,000	0	4,720	327,720		23	281,700	0	0	0	0	23	43,800	2,220		0	323,000
1/ For Senior Citizen loans, includes 325 existing dwellings purchased for \$1,631,560 and \$93,400 for purchase of dwellings sites for 161 of the new dwellings.																		

1/ For Senior Citizen loans, includes 325 existing dwellings purchased for \$1,631,560 and \$93,400 for purchase of dwellings sites for 161 of the new dwellings.



Table III - Total Rural Housing Loans: Number of Borrowers, Amount Loaned and Payments,
Cumulative Through January 1, 1965

State and territory	Total number of borrowers	Total amount loaned	Borrowers paid in full or otherwise satisfied							Borrowers with unpaid balance as of January 1, 1965						
			Number	Credits $\frac{1}{2}$			Interest payments $\frac{7}{8}$	Number	Scheduled installments (principal and interest)	Principal and interest payments						
				Principal		Write-offs and judgments $\frac{6}{8}$				Total	Total	Regular payments made on scheduled installments		Extra payments and refunds		
				1	2							Amount	As percent of schedule			
			3	4	5	6	7	8	9	10	11	12	13			
U. S. Total.....	97,564	\$783,423,053	19,321	\$101,016,342	\$100,878,821	\$137,521	\$18,519,487	78,243	\$141,219,824	\$154,273,972	\$117,436,325	104	\$6,837,617			
Alabama.....	6,095	50,190,953	1,047	5,891,302	5,891,302	0	1,049,674	5,048	9,661,065	10,703,382	10,258,189	106	445,193			
Alaska.....	195	2,895,300	10	85,798	85,798	10,690	5,339	116	253,408	273,773	227,844	90	35,929			
Arizona.....	323	3,372,386	107	746,345	746,345	0	136,272	223	537,678	559,163	544,150	101	15,313			
Arkansas.....	1,490	29,424,533	1,107	4,095,653	4,095,653	8,936	715,354	3,823	4,865,084	5,179,447	5,179,447	100	251,512			
California.....	1,294	12,262,474	564	3,651,072	3,651,072	730	715,354	3,823	4,865,084	5,179,447	5,179,447	100	251,512			
Colorado.....	850	7,894,828	218	1,404,867	1,404,867	867	274,752	632	1,112,911	1,139,659	1,078,579	97	61,080			
Connecticut.....	90	666,572	41	188,462	188,462	2,204	29,216	49	77,629	79,659	79,659	99	9,791			
Delaware.....	71	684,150	7	36,640	36,640	0	3,956	64	98,943	108,070	98,279	103	25,601			
Florida.....	3,093	28,456,382	559	4,070,864	4,070,864	0	680,092	2,534	5,444,043	5,805,396	5,551,795	103	25,601			
Georgia.....	5,622	44,049,129	1,208	5,879,597	5,879,521	76	1,119,731	4,414	7,344,756	8,341,105	7,912,422	108	428,683			
Hawaii.....	181	5,262,070	74	583,097	583,097	0	113,272	407	897,660	1,010,586	961,729	107	48,857			
Idaho.....	1,199	11,944,928	306	1,944,527	1,944,527	401	275,377	893	2,112,034	2,193,475	2,116,659	107	78,816			
Illinois.....	1,115	8,398,085	369	1,508,336	1,508,336	1,713	275,377	716	1,454,915	1,570,911	1,512,399	104	58,512			
Indiana.....	1,091	9,256,760	299	1,558,815	1,557,102	1,713	275,377	716	1,556,576	1,656,532	1,580,243	103	72,289			
Iowa.....	1,614	15,393,836	325	1,503,863	1,492,626	11,237	275,649	1,489	2,650,365	2,807,478	2,729,118	103	78,360			
Kansas.....	1,505	12,088,532	298	1,562,070	1,552,535	9,535	303,411	1,207	1,895,465	2,091,883	1,941,338	102	150,515			
Kentucky.....	2,632	22,254,027	1,013	1,985,134	1,985,134	0	348,811	2,229	4,028,871	4,575,878	4,391,558	109	184,320			
Louisiana.....	2,495	19,099,819	591	2,808,378	2,800,286	8,092	542,706	1,950	4,576,449	4,393,726	4,393,726	107	180,723			
Maine.....	1,838	1,226,107	291	1,226,336	1,224,560	1,716	211,459	1,547	2,439,298	2,579,319	2,462,416	101	116,903			
Maryland.....	643	6,299,752	163	1,025,960	1,025,960	0	195,531	480	974,718	1,031,623	996,090	102	35,533			
Massachusetts.....	92	676,195	23	116,168	112,713	3,755	23,783	69	125,559	126,210	123,967	99	2,243			
Michigan.....	1,763	15,191,369	458	2,329,915	2,322,121	7,794	248,195	1,325	2,766,682	3,020,528	2,880,441	104	140,087			
Minnesota.....	2,018	14,688,028	285	1,326,927	1,326,927	0	268,195	1,733	2,333,072	2,459,425	2,373,742	102	85,683			
Mississippi.....	7,715	52,296,007	1,347	5,933,668	5,933,669	19	989,416	6,368	10,623,063	11,063,147	11,063,147	104	422,606			
Missouri.....	5,016	34,216,866	1,182	4,738,926	4,738,926	0	794,516	3,834	5,645,269	5,123,013	5,855,776	104	257,237			
Montana.....	974	8,715,866	203	1,291,579	1,291,579	0	234,044	771	1,554,868	1,677,901	1,557,002	99	120,899			
Nebraska.....	1,010	7,079,674	364	1,704,803	1,704,803	3,918	322,610	646	1,255,406	1,284,540	1,237,814	99	46,726			
Nevada.....	77	712,969	21	153,950	153,950	0	38,714	56	116,281	152,579	145,904	98	6,675			
New Hampshire.....	154	1,285,942	23	73,563	73,563	5,265	11,672	131	123,446	122,996	117,796	95	5,200			
New Jersey.....	685	5,958,678	143	739,163	737,021	2,142	212,212	542	897,465	963,681	925,271	103	38,410			
New Mexico.....	846	6,489,366	221	1,238,131	1,238,131	0	244,943	625	1,187,240	1,277,333	1,233,412	104	43,921			
New York.....	851	43,261,453	1,074	3,823,413	3,823,413	0	699,173	4,610	7,528,155	8,323,597	8,323,597	111	333,162			
North Carolina.....	5,262	47,357,495	1,074	3,823,413	3,823,413	0	699,173	4,610	7,528,155	8,323,597	8,323,597	111	333,162			
North Dakota.....	1,744	17,318,124	207	1,457,890	1,457,890	1,534	279,455	1,534	3,190,815	3,413,193	3,229,137	101	184,056			
Ohio.....	955	7,542,012	282	1,421,607	1,407,800	13,807	175,656	694	1,294,129	1,450,326	1,378,721	107	71,605			
Oklahoma.....	3,523	26,775,729	908	4,626,486	4,526,486	0	877,327	2,615	5,436,842	5,846,017	5,578,327	103	267,690			
Oregon.....	864	7,401,193	225	1,275,179	1,275,179	6,547	241,274	639	1,503,236	1,634,204	1,556,648	101	174,156			
Pennsylvania.....	1,229	9,241,409	362	1,670,083	1,670,083	6,299	286,805	867	1,594,831	1,754,981	1,586,717	99	71,919			
Rhode Island.....	13	74,538	3	6,490	6,490	0	2,018	10	6,030,720	6,555,577	6,304,973	105	256,504			
South Carolina.....	3,428	30,273,913	448	2,538,444	2,538,323	121	513,904	2,980	6,030,720	6,555,577	6,304,973	105	256,504			
South Dakota.....	1,409	10,937,981	203	1,100,815	1,100,815	0	212,038	1,206	2,006,394	1,957,619	1,892,372	94	65,247			
Tennessee.....	5,242	43,261,453	701	3,823,413	3,823,413	0	699,173	4,610	7,528,155	8,323,597	8,323,597	111	333,162			
Texas.....	4,901	42,356,802	1,074	3,823,413	3,823,413	5,596	1,259,868	3,827	7,777,877	8,557,321	8,185,644	104	371,677			
Utah.....	1,345	13,877,129	236	1,645,475	1,645,475	0	312,217	1,109	2,775,302	3,042,465	2,869,340	104	173,125			
Vermont.....	80	554,128	25	100,215	96,613	3,602	17,551	55	102,414	109,822	105,436	103	4,366			
Virginia.....	1,507	13,277,450	258	1,556,422	1,550,268	6,154	316,049	1,249	2,401,157	2,612,810	2,499,354	104	113,456			
Washington.....	1,243	11,971,985	249	1,737,480	1,728,480	9,478	330,421	994	2,333,834	2,519,514	2,393,662	104	125,852			
West Virginia.....	1,487	12,739,014	221	1,300,530	1,293,972	6,658	244,628	1,266	2,371,533	2,724,924	2,562,053	108	152,861			
Wisconsin.....	2,098	15,705,737	341	1,621,929	1,621,030	899	310,363	1,757	2,730,300	3,010,709	2,895,803	106	114,906			
Wyoming.....	579	5,128,599	142	876,665	876,665	0	170,421	137	914,235	903,501	868,458	95	35,143			
Puerto Rico.....	1,924	10,573,422	380	1,772,602	1,772,602	0	298,882	1,544	1,656,244	1,835,366	1,733,725	105	101,611			
Virgin Islands.....	112	1,300,318	25	171,118	171,118	0	20,767	87	118,625	132,985	129,875	109	3,110			

Note: This table includes all loans made under Title V of the Housing Act of 1949 as amended September 28, 1962 by P.L. 87-723.

1/ Includes contributions in the form of principal and interest credits as authorized by Section 503 of Title V of the Housing Act of 1949 as amended. The contributions credited to the accounts of borrowers paid in full and with unpaid balance totaled \$44,563.

2/ Principal write-offs total \$75,760 and judgments \$61,761.

3/ Does not include interest write-offs in the amount of \$10,890 and interest judgments in the amount of \$11,319.

Table IV - Rural Housing Loans for Only Nonfarm Tracks: Number of Borrowers, Amount Loaned and Payments,
Cumulative Through January 1, 1965

State and Territory	Total number of borrowers	Borrowers paid in full				Borrowers with unpaid balances as of January 1, 1965				Extra payments and refunds		
		Total amount loaned	Payments		Number	Interest	Number	Scheduled installments (principal and interest)	Principal and interest payments			
			Total	Principal					Total		Amount	As percent of schedule
1	2	3	4	5	6	7	8	9	10	11	12	
U. S. Total.....	33,376	\$326,992,831	4,800	\$4,088,931	\$3,824,871	\$264,060	32,896	\$27,674,761	\$30,215,031	\$29,262,686	106	\$952,345
Alabama.....	1,669	16,193,307	14	132,833	124,797	8,036	1,655	1,525,899	1,662,626	1,612,298	106	50,328
Alaska.....	112	2,259,653	6	69,415	66,168	3,247	136	164,385	172,705	155,818	95	15,927
Arizona.....	135	1,566,251	2	12,489	10,206	2,283	133	129,588	134,625	132,820	102	1,805
Arkansas.....	1,679	12,671,332	23	154,865	146,369	8,496	1,656	1,042,194	1,115,719	1,118,690	107	27,029
California.....	222	2,533,921	7	53,525	51,710	1,815	215	200,197	205,647	200,440	100	5,237
Colorado.....	305	3,691,427	8	115,338	109,820	6,518	297	314,398	325,421	307,251	98	18,170
Connecticut.....	27	352,760	0	0	0	0	27	33,253	34,032	34,028	102	0
Delaware.....	16	538,835	1	11,044	10,000	1,044	15	57,594	59,164	56,925	99	2,239
Florida.....	1,045	10,153,904	16	170,208	156,974	13,234	1,029	828,048	868,026	851,927	103	16,099
Georgia.....	2,033	20,366,842	20	182,774	169,076	13,698	2,013	1,689,567	1,886,072	1,836,794	109	49,278
Hawaii.....	228	2,533,690	2	19,613	18,670	943	226	188,490	214,401	209,246	111	5,155
Idaho.....	303	3,776,715	5	36,632	32,299	4,333	298	301,652	315,840	310,320	103	5,520
Illinois.....	330	3,796,157	7	52,197	49,000	3,197	323	339,730	374,692	365,086	107	9,606
Indiana.....	376	4,458,184	9	113,698	104,806	8,892	367	375,616	406,872	390,262	104	16,610
Iowa.....	625	7,072,850	7	85,076	82,000	3,076	618	544,777	591,980	568,994	104	12,986
Kansas.....	508	5,542,613	6	58,941	49,172	9,769	502	438,901	482,668	454,789	104	27,879
Kentucky.....	1,033	10,546,844	14	114,872	109,920	4,952	1,019	917,671	1,020,003	990,824	108	29,179
Louisiana.....	768	7,157,148	10	79,067	73,263	5,804	758	609,332	683,121	660,709	108	22,412
Maine.....	754	3,940,269	17	15,688	12,033	3,655	737	357,187	391,660	373,283	105	18,177
Maryland.....	299	3,456,738	2	13,550	12,515	1,035	297	298,269	313,755	309,681	104	4,074
Massachusetts.....	24	224,940	1	2,515	2,300	215	23	13,324	13,608	13,608	102	0
Michigan.....	570	6,600,205	10	60,644	54,800	5,844	560	559,752	630,750	599,754	107	30,996
Minnesota.....	650	6,650,110	6	70,259	63,768	6,491	644	533,928	570,344	555,965	104	14,349
Mississippi.....	2,488	20,963,537	37	282,969	259,504	23,465	2,451	1,921,123	2,046,551	1,996,616	104	49,905
Missouri.....	1,884	16,814,801	34	266,500	251,203	15,397	1,850	1,329,952	1,444,503	1,387,880	104	56,623
Montana.....	257	2,805,667	4	17,967	16,078	1,889	253	233,573	257,421	240,866	103	16,555
Nebraska.....	278	2,690,082	16	136,825	131,950	6,875	262	246,654	271,794	258,940	105	12,854
Nevada.....	24	250,035	0	0	0	0	24	31,248	30,769	28,059	90	2,710
New Hampshire.....	100	1,068,425	3	12,544	12,000	544	97	68,938	73,421	72,139	105	1,282
New Jersey.....	349	3,661,730	6	44,311	40,300	4,011	343	292,395	328,465	327,058	112	1,407
New Mexico.....	317	2,679,048	7	55,849	54,270	1,579	310	211,626	240,715	230,155	109	10,560
New York.....	309	3,624,050	3	30,777	28,500	1,277	306	255,034	265,822	254,142	109	2,780
North Carolina.....	2,823	28,364,650	22	277,277	240,165	11,112	2,801	2,611,612	2,942,314	2,865,093	110	77,221
North Dakota.....	559	6,757,321	6	87,682	80,318	7,364	551	509,586	546,583	530,483	106	18,100
Ohio.....	285	3,045,668	6	69,186	64,930	4,256	259	249,300	274,217	263,822	106	10,395
Oklahoma.....	802	7,713,754	14	118,340	110,663	7,677	788	608,370	642,387	618,923	102	23,464
Oregon.....	163	1,762,355	1	7,540	6,424	1,116	162	134,244	139,438	131,750	98	7,688
Pennsylvania.....	337	3,665,420	4	21,624	20,067	1,737	333	261,350	286,816	272,945	104	13,871
Rhode Island.....	5	34,100	0	0	0	0	5	860	1,022	1,022	119	0
South Carolina.....	1,344	13,268,946	10	105,170	99,460	5,710	1,334	1,096,028	1,184,282	1,165,444	106	17,821
South Dakota.....	334	3,200,620	6	33,191	31,470	1,721	328	290,905	293,794	282,551	101	1,243
Tennessee.....	2,141	17,579,36	34	323,277	304,427	18,850	348	1,845,130	2,053,848	1,988,069	108	65,759
Texas.....	1,445	14,568,860	9	86,240	80,952	5,588	1,446	1,841,340	1,331,924	1,301,634	103	30,290
Utah.....	444	5,558,855	2	30,369	25,542	5,027	442	535,890	574,196	553,727	103	20,469
Vermont.....	7	53,000	0	0	0	0	7	5,355	5,237	5,237	98	0
Virginia.....	682	6,913,530	5	49,435	45,996	3,439	677	576,167	616,633	600,685	104	15,948
Washington.....	258	2,838,277	5	34,613	30,360	1,253	253	260,595	284,113	268,776	106	30,337
West Virginia.....	643	6,574,750	18	121,613	116,690	4,973	625	540,345	604,961	583,586	110	36,395
Wisconsin.....	420	4,267,292	8	25,353	23,657	1,746	417	366,934	386,825	322,598	105	28,227
Wyoming.....	194	2,267,564	8	61,762	71,099	4,053	186	177,624	183,129	160,647	102	2,262
Puerto Rico.....	636	4,449,443	18	115,740	111,600	4,140	618	330,673	380,008	365,018	110	14,990
Virgin Islands.....	87	1,139,000	4	52,474	50,000	2,474	83	102,605	113,222	113,112	111	110

Note: The figures on this table are also included in Table III - Total Rural Housing Loans.



(e) Rural Housing Insurance Fund

Supplemental Appropriation Act, 1966.....\$100,000,000
 Budget Estimate, 1967.....
 Decrease (to eliminate non-recurring appropriation to capitalize fund)....-100,000,000

PROJECT STATEMENT
 (on basis of available funds)

	: 1965 :	1966 :	Increase or :	1967
	: Actual :	Estimate :	Decrease :	Estimate
loan obligations	: --- :	:\$181,350,000:	+\$15,320,000 :	\$226,670,000
Receipts and other offsets :	---	:-130,400,000:	-104,945,000 :	-235,345,000
Unobligated balance, start :	:	:	:	:
of year	: --- :	---	-49,050,000 :	-49,050,000
Unobligated balance, end :	:	:	:	:
of year	: --- :	49,050,000:	+8,675,000 :	57,725,000
Total appropriation	: --- :	100,000,000:	-100,000,000(1) :	---

(1) A decrease of \$100,000,000 to eliminate the non-recurring appropriation. \$100,000,000 was appropriated by the Supplemental Appropriation Act, 1966, approved October 31, 1965, to establish and capitalize this fund to carry out section 517 of title V of the Housing Act of 1949, as amended.

STATUS OF PROGRAM

Establishment of Fund: The Rural Housing Insurance Fund was established under the authority contained in section 1003(a) of the Housing and Urban Development Act of 1965 (Public Law 89-117) approved August 10, 1965.

Appropriation: Public Law 89-117 authorized an appropriation of such sums as may be necessary for the purpose of the fund. An appropriation of \$100,000,000 was provided by the Supplemental Appropriation Act, 1966 (Public Law 89-309) to capitalize the fund for future operations. This is a non-recurring appropriation.

Current Program: Public Law 89-117 transferred from the Agricultural Credit Insurance Fund to the Rural Housing Insurance Fund authorities for making insured farm labor housing loans and insured rental housing loans for the elderly. Projected insured loan levels for these loans and the new insured rural housing building loans to individuals in 1966 and 1967 under the Rural Housing Insurance Fund are shown in the following schedule.

Insured Loan Program Levels

	1966 <u>Estimated</u>	1967 <u>Estimated</u>
Farm labor housing	\$ 8,300,000	\$10,000,000
Rental housing for the elderly	14,750,000	15,000,000
Building (individuals):		
Low-to-modest income	250,000,000	300,000,000
Other than low-to-modest income	<u>36,000,000</u>	<u>50,000,000</u>
Total	\$309,050,000	\$375,000,000

A. Insured Loans for Domestic Farm Labor Housing

1. Loan Purposes: Insured farm labor housing loans are made to provide modest living quarters and related facilities for domestic farm labor. The basic legislation authorizes an insured loan program for this purpose of \$25 million annually. The Agricultural Credit Insurance Fund authorized by the Consolidated Farmers Home Administration Act of 1961 was formerly utilized in connection with these insured loans. The Rural Housing Insurance Fund is now utilized in connection with these insured loans in accordance with the provisions of the Housing and Urban Development Act of 1965.
2. Eligibility of Applicants: Farm labor housing loans are made to (1) a farm owner who can qualify for a rural housing loan to an individual or (2) a public or private nonprofit organization which cannot provide such housing with its own resources or obtain credit elsewhere to do so. Such an organization must have the legal and actual capacity to borrow, to raise revenue to repay the loan, and to construct and maintain the property.
3. Terms of Loans: These loans may be amortized in not more than 33 years at an interest rate not in excess of 5 percent.
4. Security: Loans to individual farm owners are secured in the same manner as rural housing loans. Loans to organizations are secured by the best lien obtainable on the real property to be improved. Liens may also be taken on other property owned by the applicant and assignments of income may be required to assure payment of the loan.

B. Insured Loans for Rental Housing for the Elderly

1. Loan Purposes: Insured loans are made to provide rental housing and related facilities for elderly persons and elderly families in rural areas. Such housing may consist of apartments, duplexes, or individual detached homes or cottages designed as independent housekeeping units to meet the special needs of the elderly. The Agricultural Credit Insurance Fund authorized by the Consolidated Farmers Home Administration Act of 1961 was formerly utilized in connection with these insured loans. The Rural Housing Insurance Fund is now utilized in connection with these insured loans in accordance with the provisions of the Housing and Urban Development Act of 1965.
2. Eligibility of Applicants: Rental housing loans for the elderly are made to an individual, corporation, association, trust, or partnership which cannot provide such rental housing and related facilities with its own resources or obtain credit elsewhere to do so. Such an organization must have the legal and actual capacity to borrow, to raise revenue to repay the loan, and to construct and maintain the property.
3. Terms of Loans: These loans may be amortized in the number of years best suited to the individual case. The interest rate is determined by the Secretary of Agriculture subject to the same maximum rate (6 percent) applicable under the Federal Housing Administration section 203 residential mortgage insurance program. The rate for these insured loans made by the Farmers Home Administration has been currently established at 5 3/4 percent. No loan may exceed \$300,000. Rates and terms to investors are negotiated subject to a maximum loan period of 40 years.

4. Security: These loans are secured by the best lien obtainable on the real property to be improved. Liens may also be taken on other property owned by the applicant and assignments of income may be required to assure payment of the loan.

C. Insured Building Loans to Individuals

Loan Purposes: Insured building loans to individuals are made to enable eligible applicants in rural areas to construct, improve, alter, repair or replace dwellings and farm buildings or to purchase previously occupied buildings and land constituting a minimum adequate site. If the borrowers are persons of low or moderate income, the loans may not exceed amounts necessary to provide adequate housing, modest in size, design, and cost.

Eligibility of Applicants: Insured building loans are made to (1) farm owners, owning farms as defined in the Act, (2) owners of other real estate in rural areas, (3) other rural residents, and (4) leaseholders of farms if the unexpired terms of the lease run sufficiently beyond the repayment period of the loan to provide adequate security and a reasonable prospect of accomplishing the objectives of the loan.

Security: A mortgage is required to be taken on the applicant's land in most cases, but small loans to be repaid in less than 10 years may be secured by either real estate or chattels. Loans for less than \$1,500 may be secured by only the borrower's promissory note.

Terms of Loans: These loans may be amortized in not more than 33 years. Loans to persons of low or moderate income bear interest at a rate not to exceed 5 percent.

Loans to persons other than those of low or moderate income are subject to the same eligibility and security requirements but bear interest currently at a rate of 5 3/4 percent.

The following table shows the status of the Rural Housing Insurance Fund.

RURAL HOUSING INSURANCE FUND				
	: 1965 :	1966	:	1967
	: Actual :	Estimate	:	Estimate
Balance available from prior years.....	: - - :	- -	:	\$48,650,000
Appropriation	: - - :	\$100,000,000	:	- -
Receipts	: - - :	130,000,000	:	234,645,000
Total available	: - - :	230,000,000	:	283,295,000
Loan obligations	: - - :	-181,350,000	:	-226,670,000
Balance available insubsequent years ..	: - - :	48,650,000	:	56,625,000



(f) Rural Housing Grants

Appropriation Act, 1966	- -
Budget Estimate, 1967	\$4,000,000
Increase	<u><u>+4,000,000</u></u>

PROJECT STATEMENT

Project	: 1965 : Actual	: 1966 : Estimate	: Increase or : Decrease	: 1967 : Estimate
Repair and improvement grants	:\$1,922,020	: - -	: +\$4,000,000	: \$4,000,000
Unobligated balance	: 2,130,000	: - -	: - -	: - -
Unobligated balance brought forward	: -4,024,410	: - -	: - -	: - -
Recovery of prior year obligations	: -27,610	: - -	: - -	: - -
Total Appropriation	: - -	: - -	: +4,000,000(1)	: 4,000,000

(1) An increase of \$4,000,000 for rural housing grants. This increase would restore the rural housing grant program and would enable the Farmers Home Administration to provide grant assistance to about 5,000 rural families who are unable to make necessary repairs and improvements to their dwellings.

The 5,000 families which would be assisted in 1967 are only a small portion of the hundreds of thousands of families throughout rural America who have no debt-paying ability and live in homes that are pitifully squalid. Rural housing grants have proved to be an effective way of helping these extremely low-income families - largely the elderly and physically handicapped - make minor improvements to their homes to remove hazards to the health and safety of the families and the communities in which they live. Unless the grant program is extended, these families will have no hope of improving their housing.



STATUS OF PROGRAM

Rural Housing Grants Under Title V
of Housing Act of 1949, as amended

Title V of the Housing Act of 1949, as amended, provides appropriation authority for repair and improvement grants.

1. Eligibility of Applicants: Repair and improvement grants are made to farm owners, to owners of other real estate in rural areas and to long-term farm leaseholders who are unable to repay a loan made for the full cost of such repairs and improvements to dwellings and service buildings as are necessary to make the buildings safe and sanitary and remove hazards to the health of the occupant, his family or the community. Improvements will include such minor items as repairing roofs, providing sanitary facilities, providing an adequate sanitary water supply and providing screens. A combined loan and grant may be made when the applicant is able to repay a part but not all of the cost of the building improvements.
2. Limits: A repair and improvement grant may be combined with a building loan. A repair and improvement grant, or a combination loan and grant may not exceed \$1,000. Direct rural housing loans made in conjunction with repair and improvement grants are reflected in the Rural housing direct loan account schedules.
3. Suspension of Grant Program: The Agricultural Appropriation Act for 1965 discontinued, effective September 2, 1964, the extension of repair and improvement grants during the remainder of fiscal year 1965. The 1966 Agricultural Appropriation Act continued the suspension of the authority to make repair and improvement grants during the 1966 fiscal year.

Number and Amount of Repair and Improvement Grants: The following table shows the number and amount of repair and improvement grants made for the fiscal year 1965. No such grants are estimated for the fiscal year 1966.

<u>1965 Actual</u>		
	<u>Number</u>	<u>Amount</u>
<u>Repair and Improvement Grants:</u>		
<u>Initial and Subsequent:</u>		
Sec. 504 Grants only	2,348	\$1,901,520
Sec. 504 Grants with loans	45	20,500
Total	2,393	1,922,020

(g) Rural Housing for Domestic Farm Labor

Appropriation Act, 1966	\$3,000,000
Budget Estimate, 1967	<u>3,000,000</u>

PROJECT STATEMENT

Project	: 1965 : actual	: 1966 :(estimated)	: 1967 :(estimated)
Financial assistance for low-rent domestic farm labor housing - (Total appropriation)	: : - -	: : \$3,000,000	: : \$3,000,000

The financial assistance program is carried out under section 516 of the Housing Act of 1949, as amended, (Public Law 88-560). The program provides for sharing up to two-thirds of the total development cost of farm labor housing projects. In determining the economic feasibility of housing for migratory farm laborers, the problem of less than full-time occupancy with much of the housing being used seasonally for only several months during the year must be recognized. Because of the limited period of occupancy, many applicants cannot borrow the funds they need to finance adequate housing. Because of limited income, many laborers cannot afford to pay the rentals that are required when the entire cost of the housing is to be amortized from rental income. The migrant agricultural laborer is the poorest housed of all rural population. Many of the migrant families, especially the citizen group, travel as families. Since the families move from place to place, they live in substandard housing for a large portion if not the entire early life period of their children.



STATUS OF PROGRAM

Rural Housing for Domestic Farm Labor

1. General: Public Law 89-316, Department of Agriculture Appropriation Act, 1966, provided an initial appropriation of \$3 million for financial assistance in the form of grants under section 516 of the Housing Act of 1949, as amended, to provide low-rent housing and related facilities for domestic farm labor housing.

Under this authority, financial assistance in the form of sharing in the cost of developing low-rent housing for domestic farm laborers is extended to State or political subdivisions or public or private nonprofit organizations to assist them in providing low-rent housing and related facilities to be used by domestic farm laborers. It is anticipated that, on the average, applicants will furnish about half of the development cost by using their own resources or by borrowing either directly from private sources or obtaining an insured loan under section 514 of the Housing Act of 1949. The other half of the cost would be extended through sharing in the cost under this authority. The applicant would have to agree to charge rentals not exceeding amounts approved by the Secretary, to maintain the housing at all times in a safe and sanitary condition, and give priority as far as occupancy is concerned to domestic farm laborers. A typical applicant could be a nonprofit group of growers who were interested in providing houses for their own needs and for other growers in the community. Other applicants might be local public housing authorities that already own and operate labor camps that need to be updated and modernized. Some small towns also are interested in providing housing for domestic farm laborers as a service to the community.

In principle, this program is similar to the program that has provided low-cost housing in urban areas for many years. There is one important difference, however, the financial assistance for domestic farm labor housing would be in the form of a single initial contribution - sharing the cost of construction; whereas, subsidies under the public housing program are designed to meet annual recurring operating deficits.

This program offers an excellent opportunity for local communities that use migrant farm laborers to take positive action to eliminate the deplorable living conditions under which many of them now live. In 1966, it is estimated that about 20 grants totaling \$3,000,000 will be made, averaging about \$150,000 each.

2. Grant Purposes: Labor housing grants are made to fulfill a pressing need for low-rent, decent, safe and sanitary housing for domestic farm laborers and their families at rentals within the payment ability of families with low incomes. Such housing may consist of family units, apartments, or dormitory-type units. The housing must be the most practical type and constructed in an economical manner and not of an elaborate or extravagant design or materials.

3. Eligibility of Applicants: Grants for farm labor housing are made to a State or political subdivision or to a broadly based nonprofit organization interested in providing housing as a community service. There must be a reasonable doubt that the applicant could not provide such housing without grant assistance. The applicant must provide at least one-third of the cost of construction, all or part of which may be obtained through a Farmers Home Administration loan under section 514 of the Housing Act of 1949, as amended. The applicant also must possess the legal capacity to contract for the grant ..
4. Grant Obligations: As a condition of the grant, the applicant must agree: (1) that the rental charged the domestic farm labor for the housing shall not exceed amounts which are approved by the Farmers Home Administration; (2) that the housing will be maintained at all times in a safe and sanitary condition in accordance with such standards as may be prescribed by State or local laws and with such minimum requirements as may be prescribed by the Farmers Home Administration; and (3) that an absolute priority shall be given at all times to domestic farm labor in granting occupancy of the housing. The obligations incurred by the applicant as a condition of the grant will continue for 50 years from the date of the grant unless sooner terminated by the Farmers Home Administration.
5. Security to Assure Compliance: The grant obligations will be secured by a mortgage on the housing or other security. In the event of default, the Farmers Home Administration will have the right at its option to require repayment of the grant.

(h) Rural Renewal

Appropriation Act, 1966	\$1,200,000
Budget Estimate, 1967	<u>1,200,000</u>

PROJECT STATEMENT

Project	1965 Actual	1966 Estimate	1967 Estimate
1. Loans for rural renewal and demonstration projects	\$920,200	\$950,000	\$950,000
2. Technical assistance and operating expense	195,328	250,000	250,000
Unobligated balance	84,472	--	--
Total increased pay costs (P.L. 89-301)	(--)	(4,900)	(6,200)
Total available or estimate	1,200,000	1,200,000	1,200,000

The preceding statement is based on amounts included in Appropriation Acts. The following tabulation shows estimated obligations for each activity, including balances brought forward from prior year:

Project	1965 Actual	1966 Estimate	Increase or Decrease	1967 Estimate
1. Loans for rural renewal and demonstration projects	\$920,200	\$1,034,472	\$-84,472	\$950,000
2. Technical assistance and operating expense	195,328	250,000	--	250,000
Unobligated balance carried forward	84,472	--	--	--
Total available or estimate	1,200,000	1,284,472	-84,472	1,200,000

STATUS OF PROGRAM

Rural Renewal

Section 102 of the Food and Agriculture Act of 1962 (Public Law 87-703) amended section 32(e) of title III of the Bankhead-Jones Farm Tenant Act to authorize a rural renewal program of technical and financial assistance to local public agencies in disadvantaged, low-income rural areas for making maximum utilization of land, water, timber, mineral and human resources.

Program Administration - The Farmers Home Administration has been assigned primary responsibility for the coordination, direction and supervision of the rural renewal program.

Rural renewal brings to local public agencies the tools necessary for an all out attack on poverty and affords needed technical and financial assistance not otherwise available for their use to reorganize, recapitalize, restructure and otherwise renew the economy of the area. It is designed to eliminate chronic unemployment and underemployment, foster sound rural economy, strengthen family farming and increase farm and rural income. Efforts are made to attract industry to rural areas, including manufacturing and marketing facilities for agricultural and forestry products, to develop more adequate community facilities and improved rural housing and to develop recreational facilities. The successful renewal of rural areas will be accomplished through the cooperative efforts of local people along with needed technical guidance and financial assistance from many sources--individuals, organizations and agencies of local, State and Federal governments.

Areas designated for rural renewal assistance have a relatively long history of low incomes, area resource deterioration and undesirable economic and social conditions that have resulted in low family incomes; inadequate levels of living; limited opportunities for productive full-time employment; inadequate productive economic enterprises--farm, forest, commercial and industrial; lack of community and public facilities; inadequate investment capital; a continuing movement of people away from the area; farms too small for economic units; inadequate educational facilities; and lack of skills for new job opportunities. The area must be one that is predominantly rural, in which agriculture, forestry and related businesses afford the primary basis for economic development. Areas designated for rural renewal are those in which needed adjustments, development and improvements are interdependent and interrelated to the extent that the combined, coordinated and concentrated use of several types of assistance affords the most feasible approach to renewal. Rural renewal programs will demonstrate that such areas can be revitalized to provide needed economic and social opportunities.

Assistance is provided the local public agency in developing a plan for the renewal of the area. The rural renewal plan is the blueprint for the development of the area. It points out the area deficiencies and development possibilities. It establishes area goals and priority for achieving such goals. It reflects the plans, decisions and determinations of the local public agency for obtaining social and economic growth and for the maximum utilization of their resources. As projects are developed, technical assistance is necessary to obtain needed investigations and feasibility determinations in connection with

the development and carrying out of such projects. Planning advances are made to the public agency to assist in the development of these plans. The type of assistance will vary by areas; however, it will usually include the services of Department of Agriculture specialists, such as conservationists, foresters, economists, engineers, and marketing and cooperative specialists.

A program leader is assigned to each area. He directs the planning party in the development of rural renewal plans and provides or assists the local public agency in obtaining needed technical assistance for the preparation of the rural renewal plan and for developing and carrying out rural renewal projects. This includes technical assistance, needed investigations and feasibility determinations.

Rural renewal loans to supplement credit from local, State and other Federal sources are made to local public agencies to assist them in carrying out projects in the rural renewal plan. The following are some examples of projects that may be financed with rural renewal loans:

1. Correction of maladjustments in land use. For example, this may include purchase and consolidation of small tracts into family farms for resale for farm or non-farm use, or purchase and subdivision of large tracts into family farms for resale for farm or non-farm use.
2. Development of rural homesites for low income families.
3. Development of lakes, greenbelts, public playgrounds, parks, grassland areas, and wildlife areas and preservation of natural beauty.
4. Development of water and sanitation facilities and community buildings when such types of development are needed in land conservation use.
5. Reforestation and related services.

Application for designation of rural renewal area - Any local public body or development organization may make application to have its area designated as eligible for rural renewal assistance. Application is made through the county supervisor of the Farmers Home Administration.

Borrowing agency - Rural agencies, groups or authorities obtaining loan funds under the rural renewal program for specific development projects must meet certain legal requirements. These include (1) designation by the State legislature or Governor to receive rural renewal loan funds and (2) authority under State and local laws to borrow funds, buy and sell property, improve, develop and maintain property, and raise revenues to repay loans and meet other obligations. The character of the borrowing agency will, of course, vary among rural renewal areas. In some cases an existing county government agency or other public agency may serve as the borrower under the rural renewal program. In other cases it will be necessary to establish an entirely new agency under State enabling laws. Such an agency would be roughly similar to local authorities established specifically to carry out urban renewal programs

at the local level. Before a rural renewal loan application is made to the Farmers Home Administration by the borrowing agency, it must first be submitted to and approved by a State agency designated by the Governor or legislature.

Terms of Loans - Rural Renewal loans may be made for periods up to 30 years with repayment of principal and interest deferred up to 5 years, if necessary. The interest rate is the average rate paid by the U.S. Treasury on obligations of similar maturity outstanding at the beginning of the fiscal year (3.222 percent for fiscal year 1966).

Size of Loans - The amount which a local agency may borrow is based on its ability to repay the loan. All sources of income available to the agency are considered, such as fees, leases, rentals, and the sale of securities and property. Loans in excess of \$250,000 require approval of the Committee on Agriculture and Forestry of the Senate and the Committee on Agriculture of the House of Representatives.

Security - Loans are secured in a manner that adequately protects the U.S. Government's interest.

Scope of Program - In the initial stage the rural renewal program is being activated only in a limited number of areas. In this way the limited resources presently available for the program can be most effectively used to gain experience for a full scale effort when additional funds are made available. The Appropriation Act for 1964 provided \$1,200,000 to initiate this new program. The Appropriation Acts for 1965 and 1966 provided an additional \$1,200,000 to continue the program. This amount has provided for establishment of five pilot rural renewal areas in localities experiencing chronic underemployment. Areas currently designated are:

1. Washington, Walton, Holmes Counties, Florida
2. Appanoose, Monroe Counties, Iowa
3. Hardy, Mineral Counties, West Virginia
4. Little River, Sevier Counties, Arkansas
5. Clay, Graham, Cherokee Counties, North Carolina

STATUS OF PROGRAM

(i) Emergency Credit Revolving Fund

Subtitle C of the Consolidated Farmers Home Administration Act of 1961 contains the authorizations for emergency loans.

1. Establishment of Fund: The Emergency Credit Revolving Fund was established on October 15, 1961 by subtitle C of the Consolidated Farmers Home Administration Act of 1961 to carry out the purposes of that subtitle. The fund was originally created by section 84 of the Farm Credit Act of 1933, as amended, but subsequently became known as the Disaster Loan Revolving Fund when it was transferred to the Secretary of Agriculture and the Regional Agriculture Credit Corporation was abolished under the terms of Public Law 38, approved April 6, 1949. At that time, the assets of the fund amounted to \$45,494,334. Public Law 38, as amended, was repealed by the Consolidated Farmers Home Administration Act of 1961.
2. Additional Appropriations: Subsequent to April 6, 1949, two appropriations aggregating \$160 million were made as additions to the Fund. Of this amount not to exceed \$61.5 million was authorized for use in furnishing emergency feed and seed assistance to farmers and ranchers as authorized by section 2(d) of Public Law 38, as amended. A total of \$58,725,000 had been used for this purpose when the authority was withdrawn upon activation of the Emergency Credit Revolving Fund on October 15, 1961.
3. Current Programs: Emergency loans are made at 3 percent interest to eligible farmers, ranchers or oyster planters and to domestic corporations or partnerships engaged primarily in farming, ranching, or oyster planting in any designated emergency area, or to persons or corporations outside such areas who have suffered severe production losses not general to the area as a result of a natural disaster. In addition, Public Law 89-339, approved November 8, 1965, authorized loans in the Hurricane Betsy area for a limited time with special provisions for cancellation of principal or waiver of interest up to \$1,800.

The Secretary may designate any area in the United States and in Puerto Rico and the Virgin Islands as an emergency area if he finds (1) that there exists in such area a general need for agricultural credit which cannot be met for temporary periods of time by private, cooperative, or other responsible sources (including real estate or operating loans under subtitles A and B of the Consolidated Farmers Home Administration Act of 1961), at reasonable rates and terms for loans for similar purposes and periods of time, and (2) that the need for such credit in such area is the result of a natural disaster. Applicants for loans must have experience and resources necessary to assure a reasonable prospect for successful operation with the assistance of an emergency loan, and must be unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates, and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time.

Loans may be made for any essential farm and home operating expenses, the repair or replacement of farm equipment made necessary by normal wear or natural disasters, and real property repairs or replacements made necessary by natural disasters. The loans are not made to refinance existing debts nor to compensate applicants for their losses resulting from the disaster. There is no statutory limit on the size of emergency loans. However, such loans are made for the minimum amount necessary to achieve the above purposes. Emergency loans are repayable in accordance with the applicant's ability to pay, but the repayment schedules may not exceed the maximum number of years authorized for real estate and operating loans for similar purposes under subtitles A and B of the Act. Loans are secured in a manner reasonably to protect the Government's interest and are made only when it appears that the loan can be repaid.

Subsequent loans may be made to borrowers indebted for production emergency, economic emergency and special livestock loans under the repealed provisions of Public Law 38, and for special emergency loans under Public Law 727 which expired June 30, 1959.

4. Administrative Expenses: The Emergency Credit Revolving Fund is utilized to pay administrative expenses for servicing outstanding loans made under current and prior authorities, and for making additional loans under current authorities. Except for a small allotment to the Office of the General Counsel, administrative expense obligations are confined to the activities of the Farmers Home Administration.
5. Collections: The following is a resume of cumulative loan advances and repayments:

Cumulative Activity Under Various Loan Authorizations
to June 30, 1965
(Dollars in millions)

<u>Type of Loan</u>	<u>Advances</u>	<u>Principal</u>			<u>Interest Payments</u>	<u>Percent Principal Repayments to Maturities</u>
		<u>Matur- ities</u>	<u>Repay- ments</u>	<u>Out- standing</u>		
Emergency	\$642.0	\$560.5	\$536.5	\$97.4	\$16.6	95.7%
Economic						
Emergency ...	102.0	101.9	96.4	3.2	3.9	94.6%
Special						
Emergency ...	30.9	30.9	30.1	.6	.7	97.4%
Fur	5.7	5.7	5.4	<u>a/</u>	.4	94.7%
Orchard .....	.3	.3	.3	<u>--</u>	<u>a/</u>	100.0%
Special						
Livestock ...	91.4	91.2	86.6	3.3	6.4	95.0%

a/ Less than \$50,000.

In addition to the programs listed above, the Farmers Home Administration is servicing the loans receivable of the Regional Agricultural Credit Corporation outstanding at the time this Corporation was abolished in 1949. A total of \$251,724 in principal and interest had been collected on these loans through June 30, 1965, principal write-offs totaled \$975,746 and \$48,176 principal had been reduced to judgment.

Emergency loans obligated from the Emergency Credit Revolving Fund from fiscal years 1961 through 1965 were as follows:

<u>Fiscal</u> <u>Year</u>	<u>Initial</u>		<u>Subsequent</u>		<u>Total</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
1961	5,424	\$17,235,930	2,502	\$9,276,235	7,926	\$26,512,165
1962	16,077	49,917,245	4,747	13,207,311	20,824	63,124,556
1963	13,458	45,448,825	5,875	17,012,557	19,333	62,461,382
1964	10,346	33,184,810	4,945	16,948,567	15,291	50,133,377
1965	16,743	60,183,375	5,547	18,263,786	22,290	78,447,161

Emergency Credit Revolving Fund

Table I - Statement of Funds Available, and Obligations Cumulative from Inception of Funds on April 6, 1949, to June 30, 1964, Fiscal Year 1965 and Estimates for Fiscal Years 1966 and 1967

	Cumulative from April 6, 1949 thru June 30, 1964 Adjusted	1965	1966 estimated	1967 estimated
Funds available:				
By appropriation:				
For establishment of revolving fund for production disaster loans and transfer of net assets (cash) of the Regional Agricultural Credit Corporation to the Fund (P.L. 38, approved April 6, 1949) a/	\$45,494,334			
For flood rehabilitation in the Midwest area (P.L. 202, approved October 24, 1951)	30,000,000			
For assistance to farmers and stockmen through economic disaster loans, special livestock loans, and emergency assistance in fur- nishing feed and seed (P.L. 175, approved July 31, 1953)	130,000,000			
Balance available from prior fiscal year	.....	\$45,609,096	\$14,627,708	\$8,680,000
Receipts - Principal and interest collection on loans	732,216,831	51,778,992	65,300,000	65,300,000
Reimbursements in Hurricane Betsy area for interest or principal write-offs	.....	.....	9,750,000	.....
Total available	937,711,165	97,388,088	89,517,708	73,980,000
Obligations:				
Loans made	794,952,935	78,447,160	76,017,703	64,000,000
Hay and roughage program	25,326,104	.....	.....	.....
Transportation and other costs in connection with emergency feed furnished to farmers and stockmen	27,900,000	.....	.....	.....
Administrative expense	43,923,030	4,313,220	4,820,000	4,478,000
Total obligations	892,102,069	82,760,380	80,837,708	68,478,000
Unobligated balance	45,609,096	14,627,708	8,680,000	5,502,000

a/ In addition, net assets (other than cash) of \$363,811 were acquired from the Regional Agricultural Credit Corporation.

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

Table II - Loans Made From the Emergency Credit Revolving Fund, During 1965 Fiscal Year
and Cumulative From April 1949 Through June 30, 1965

State and territory	1965 fiscal year		Cumulative from April 1949 through June 30, 1965	State and territory	1965 fiscal year		Cumulative from April 1949 through June 30, 1965		
	Number	Amount			Number	Amount			
								1	2
U. S. Total.....	22,290	\$78,447,161	404,976	\$873,400,308	Montana.....	193	\$1,025,221	1,944	\$13,152,958
Initial loans.....	16,743	60,183,375	294,316	615,347,927	Nebraska.....	411	1,570,040	2,120	5,638,814
Subsequent loans..	5,547	18,264,475	110,660	257,130,588	Nevada.....	4	38,840	146	2,722,121
Loan costs 1/.....		15,311		921,793	New Hampshire.....	85	185,230	115	380,055
Alabama.....	3	2,380	10,368	8,792,090	New Jersey.....	391	1,443,726	1,448	4,911,561
Alaska.....					New Mexico.....				
Arizona.....	25	115,050	27	128,880	New York.....	221	1,052,160	3,588	16,571,069
Arkansas.....	0	0	168	1,658,712	North Carolina.....	805	1,485,620	1,983	5,577,762
California.....	2,128	6,367,527	34,995	73,680,320	North Dakota.....	1,294	3,224,725	18,665	22,597,913
Colorado.....	179	1,154,420	1,743	12,180,216	Ohio.....	1,066	2,367,200	36,270	41,385,759
Connecticut.....					Oklahoma.....	62	168,540	235	457,011
Delaware.....	625	3,398,909	6,689	31,383,056	Oregon.....	558	1,487,611	16,876	25,568,755
Florida.....	81	360,070	140	718,273	Pennsylvania.....	230	1,264,502	699	4,329,571
Georgia.....	6	13,250	57	187,205	Rhode Island.....	267	550,140	1,124	2,366,167
Hawaii.....	268	1,800,383	1,516	13,937,662	South Carolina.....	15	34,700	43	120,247
Idaho.....	511	2,149,220	11,906	19,138,085	South Dakota.....	1,230	2,787,765	20,153	21,348,644
Illinois.....	0	0	96	274,565	Tennessee.....				
Indiana.....	16	243,582	881	6,648,361	Texas.....	495	808,760	10,721	12,099,061
Iowa.....	156	385,880	1,249	2,355,911	Utah.....	5	10,040	6,993	5,589,576
Kansas.....	144	473,170	430	1,170,587	Vermont.....	4,391	25,452,715	103,534	298,013,568
Kentucky.....	262	445,250	1,936	2,434,308	Virginia.....	67	319,410	1,009	6,778,695
Louisiana.....					Washington.....	174	284,470	272	528,570
Maine.....	157	1,089,780	8,009	26,367,755	West Virginia.....				
Maryland.....	0	0	2,414	1,443,579	Wisconsin.....	325	519,120	2,287	7,285,311
Massachusetts.....	1,187	3,952,184	13,343	26,756,910	Wyoming.....	14	108,288	1,007	7,545,058
Michigan.....	147	644,760	4,812	14,378,320	Puerto Rico.....	44	147,730	204	723,930
Minnesota.....	198	296,290	441	801,769		668	814,020	1,124	2,770,394
Mississippi.....						1	7,500	1,136	6,476,776
Missouri.....									
Montana.....									
Nebraska.....									
Nevada.....									
New Hampshire.....									
New Jersey.....									
New Mexico.....									
New York.....									
North Carolina.....									
North Dakota.....									
Ohio.....									
Oklahoma.....									
Oregon.....									
Pennsylvania.....									
Rhode Island.....									
South Carolina.....									
South Dakota.....									
Tennessee.....									
Texas.....									
Utah.....									
Vermont.....									
Virginia.....									
Washington.....									
West Virginia.....									
Wisconsin.....									
Wyoming.....									
Puerto Rico.....									

1/ "Loan costs" represent the amounts advanced to borrowers for such purposes as the payment of taxes, insurance premiums, etc.

Table III - Emergency Credit Revolving Fund: Loans, Maturities and Collections,
Cumulative From April 1949 Through June 30, 1965

State and territory	Cumulative advances 1/	Matured principal 2	Collections		Principal repayments 3	Principal		Unpaid principal balance 8	Ratio of principal repayments to matured principal 9
			Principal repayments	Interest payments		Write-offs	Judgments		
U. S. Total.....	\$875,718,101	\$793,872,677	\$157,600,863	\$28,212,559	\$785,813,422	\$11,740,387	\$1,675,294	\$104,701,560	95.4%
Alabama.....	8,731,668	8,712,571	8,490,434	230,908	8,721,342	147,069	13,465	80,680	97.4
Alaska.....	22,237	23,660	22,237	1,249	23,486	0	0	122,688	94.0
Arizona.....	1,939,531	1,930,031	1,747,955	99,074	1,846,929	70,225	0	121,451	90.6
Arkansas.....	72,946,658	66,700,723	64,960,153	1,686,056	66,646,209	986,816	108,067	6,891,622	97.4
California.....	13,352,795	11,706,542	10,671,550	525,345	11,196,895	473,095	6,949	2,201,201	91.2
Colorado.....	31,667,879	28,218,506	26,716,539	1,493,863	28,210,370	345,664	43,044	4,562,632	94.7
Connecticut.....	727,770	400,240	379,831	13,139	400,970	101,591	401	337,947	94.6
Delaware.....	181,806	181,806	176,394	6,021	182,415	1,569	0	11,093	97.0
Florida.....	14,101,353	12,624,469	11,708,789	450,692	12,159,481	137,344	61,491	2,193,729	92.7
Georgia.....	19,236,856	17,104,774	16,756,788	437,073	17,193,861	305,157	22,363	2,152,548	98.0
Hawaii.....	274,565	254,075	215,747	19,493	235,240	1,102	0	57,716	84.9
Idaho.....	6,780,958	6,416,157	5,800,782	291,751	6,092,533	57,102	5,533	947,511	94.4
Illinois.....	2,590,755	2,280,275	2,143,456	53,881	2,197,337	56,783	3,171	386,345	96.5
Indiana.....	1,270,622	813,972	770,476	29,697	797,173	36,388	0	463,558	94.7
Iowa.....	2,494,939	2,022,382	1,996,612	55,707	2,052,319	15,175	700	461,432	98.7
Kansas.....	26,456,344	25,293,783	24,640,016	1,117,313	25,757,329	140,653	36,961	1,638,714	97.4
Kentucky.....	1,439,446	1,419,246	1,385,372	78,690	1,464,062	23,998	0	19,076	97.6
Louisiana.....	22,781,000	22,782,044	21,631,090	539,479	22,371,569	231,542	19,987	4,696,946	95.8
Maine.....	14,289,490	13,796,809	13,996,272	481,136	13,477,440	149,368	14,361	1,129,489	94.2
Maryland.....	846,066	592,921	547,107	35,123	582,230	21,555	2,300	275,024	92.3
Massachusetts.....	1,452,599	1,215,354	1,158,425	66,753	1,225,178	12,882	1,053	280,239	95.3
Michigan.....	3,040,403	2,508,241	2,234,575	146,970	2,381,545	149,002	14,166	642,660	89.1
Minnesota.....	14,005,638	11,112,508	10,621,198	232,455	10,853,653	52,364	16,585	3,315,491	95.6
Mississippi.....	46,714,088	46,621,369	45,261,959	1,160,025	46,424,984	765,807	75,897	2,587,425	97.1
Missouri.....	45,828,861	43,317,185	42,398,314	1,356,685	43,754,999	261,788	41,632	3,127,127	97.9
Montana.....	13,202,889	11,775,143	11,370,291	666,438	12,036,729	57,195	62,237	1,713,166	96.6
Nebraska.....	5,755,390	4,195,843	4,022,920	105,195	4,128,115	19,857	1,202	1,711,411	95.9
Nevada.....	2,756,044	2,685,444	2,580,307	217,136	2,797,443	18,652	0	156,845	96.1
New Hampshire.....	215,010	215,010	206,528	13,037	219,565	1,920	0	173,022	96.1
New Jersey.....	4,852,234	3,288,039	3,031,787	1,037,587	3,207,652	55,846	4,079	1,760,522	92.2
New Mexico.....	16,609,319	15,515,349	14,585,968	1,037,587	15,623,555	217,663	98,112	1,707,576	94.0
New York.....	5,669,897	4,203,256	4,066,545	154,149	4,220,794	95,856	22,070	1,485,326	96.7
North Carolina.....	22,600,956	19,327,809	19,062,839	493,075	19,555,914	138,846	17,294	3,381,977	98.6
North Dakota.....	41,447,243	38,682,506	37,967,766	830,809	38,798,575	69,405	40,779	3,369,293	98.2
Ohio.....	491,570	335,452	305,338	12,481	317,819	8,623	3,383	174,226	91.0
Oklahoma.....	25,853,360	24,570,987	23,385,581	1,234,766	24,620,347	331,492	60,118	2,076,169	95.3
Oregon.....	4,336,373	2,984,585	2,805,938	180,298	2,986,236	33,612	11,983	1,484,840	94.0
Pennsylvania.....	2,482,529	1,824,134	1,837,801	7,516	1,911,317	25,161	7,111	642,123	100.7
Rhode Island.....	120,747	66,047	64,892	3,787	68,679	825	225	44,802	98.7
South Carolina.....	21,350,536	18,750,871	18,436,815	447,102	18,883,917	222,161	78,265	2,613,295	96.3
South Dakota.....	12,111,487	11,287,304	11,047,176	330,766	11,377,942	69,700	16,417	978,204	97.9
Tennessee.....	5,814,799	5,811,419	5,567,703	179,656	5,747,359	184,160	587	109,749	95.8
Texas.....	29,749,542	26,749,019	25,813,542	10,070,149	26,183,691	5,363,357	633,426	38,939,217	93.3
Utah.....	6,740,175	6,040,823	5,841,550	251,182	6,178,612	7,035	9,644	881,616	96.7
Vermont.....	517,445	229,277	231,349	24,009	255,438	9,863	0	276,733	100.9
Virginia.....	7,459,717	6,771,937	6,588,437	181,868	6,770,305	88,745	34,517	754,018	97.3
Washington.....	8,127,904	7,944,057	7,481,721	327,424	7,809,145	223,266	46,526	376,391	94.2
West Virginia.....	715,135	533,010	471,795	25,868	497,663	739	0	242,601	88.5
Wisconsin.....	2,819,705	2,032,449	2,123,319	102,079	2,225,398	19,384	1,576	675,426	104.5
Wyoming.....	6,491,349	6,433,499	6,247,991	282,791	6,530,782	25,922	34,367	183,069	97.1
Puerto Rico.....	930,744	823,795	799,593	101,346	900,939	0	3,020	128,131	97.1

Note: In addition to loans made from the Emergency Credit Revolving Fund, this table includes Regional Agricultural Credit Corporation loans made by Farm Credit Administration and transferred to Farmers Home Administration for collection.

1/ Cumulative advances by states include the face amount of individual notes owed by borrowers transferring from one state to another while still indebted.

(j) Salaries and Expenses

Appropriation Act or Estimate, 1966	\$48,500,000
Proposed Supplemental, 1966, for increased pay costs	1,200,000
Transferred to "Operating Expenses, Public Buildings Service, General Services Administration" for space rental	-39,000
Transferred from "Agricultural Credit Insurance Fund"	+2,250,000
Transferred from "Loans, Farmers Home Administration, 1957-1966" (Authorization for senior citizens housing loans)	+500,000
Base for 1967	52,411,000
Budget Estimate, 1967:	
Direct Appropriation	\$51,600,000
Transferred from "Agricultural Credit Insurance Fund"	2,250,000
Total Budget Estimate, 1967	53,850,000
Increase	+1,439,000

SUMMARY OF INCREASES

	1966 <u>Available</u>	Increase <u>Pay Costs</u>	<u>Other</u>	1967 <u>Estimate</u>
Administration of grant and direct and in- sured loan programs ...	\$52,411,000	\$+389,000	\$+756,000	\$53,556,000
Appalachia program	---	+11,000	+283,000	294,000
Total	<u>52,411,000</u>	<u>+400,000</u>	<u>+1,039,000</u>	<u>53,850,000</u>

PROJECT STATEMENT

Project	1965	1966 (Estimated)	Increases Increased: Pay Costs: (P.L. 89-301)	Other	1967 (Estimated)
Administration of grant and direct and insured loan program	\$42,472,450	\$52,411,000	+\$389,000	+\$756,000(1)	\$53,556,000
Unobligated balance	60,188	---	---	---	---
Appalachia program	325,000	---	+11,000	+283,000(2)	294,000
Total increased pay costs (P.L. 89-301)	(---)	(1,200,000)	(+400,000)	(---)	(1,600,000)
Total available or: estimate	<u>42,857,638</u>	<u>52,411,000</u>	<u>+400,000(3)</u>	<u>+1,039,000</u>	<u>53,850,000</u>

a/ Includes the appropriation of \$325,000 made in 1965 for the Appalachian program.
All of this amount is being obligated in 1966.

INCREASES

(1) An increase of \$756,000 to provide for making and servicing additional loans and carrying out the rural water and waste disposal grant program. During 1966, authorities were enacted for additional activities to be carried out by the Farmers Home Administration. These authorities consisted of an increase of \$250 million in insured farm ownership and soil and water loan activity and making of grants for rural water and waste disposal systems at a \$55 million level.

The increase is needed (1) to provide real estate appraisal and engineering assistance, (2) to strengthen the county office staffs working directly with applicants for loans, (3) to meet the added cost of county committee expense involved in reviewing applications and certifying loans, and (4) to meet the other related administrative costs.

Program Level Under Increased Insured Real Estate Loan Authority. The demand for real estate loans has increased dramatically during the past two years. Applications for insured real estate loans were processed at the rate of approximately 1,100 per month during fiscal year 1965 and there were approximately 20,000 unprocessed applications on hand June 30, 1965. Currently 15,000 towns do not have domestic water systems and many thousands of fairly heavily settled rural areas have conventional septic tanks and individual shallow wells where the danger of contaminated domestic water supply can be remedied only by deep wells or the development of group domestic water and waste disposal systems. This need is widespread throughout all states. The \$15 million net increase in insured real estate authority in 1967 will be used primarily for additional soil and water association loans. This will enable the Farmers Home Administration to serve additional rural people with loans for water and waste disposal systems.

Administration of New Water and Waste Disposal Authorities. The new authorities amend the present authority of the Farmers Home Administration in the field of financing rural community facilities as follows:

1. Permit grants up to 50 percent of the construction cost of water and waste disposal systems where necessary.
2. Permit planning grants to public bodies or other agencies determined by the Secretary as having authority to prepare official comprehensive plans for the development of water or sewer systems in rural areas which do not have funds available for such a plan.
3. Rural areas for purposes of water and waste disposal projects shall include any area in any city or town which has a population not in excess of 5,500 inhabitants.
4. Permit loans, either direct or insured, or a combination of loans and grants to an eligible association not to exceed \$4 million at any one time.

5. Permit loans for recreational development without the requirement for significant shift in land use.

The provision permitting grants meets a definite need posed by many rural communities. In the administration of its present loan programs the Farmers Home Administration has had applications from numerous communities which could not afford to pay the required loan charges for the entire cost of a needed water supply or waste disposal system. This frequently is due to the low incomes of many of the prospective users, to the high cost of locating a good water supply, high construction costs, or to providing distribution systems in areas where the population is not concentrated.

It is evident from review of these applications that either the construction cost of such systems must be partially subsidized or many disadvantaged rural people never will have running water or a waste disposal system.

An estimated \$3 million grant funds will be used in 1967 to assist public bodies or other nonprofit organizations to prepare official comprehensive plans for the development of water and waste disposal systems in rural areas when funds are not available for the preparation of such plans. An additional estimated \$23 million will be used for financing development costs which exceed the ability of the association to repay a loan for such development cost of the systems. It is presently estimated that between 50 and 75 percent of the development cost of the project will be supplied by the associations.

Increased funds are needed to employ engineers, appraisers, and other specialists to strengthen the state office and county office staffs working directly with applicants.

(2) An increase of \$283,000 to continue the Appalachia Program. The Second Supplemental Appropriation Act, 1965, provided \$325,000 for fiscal years 1965 and 1966 to administer the \$7.1 million loan program to establish and carry out land conservation, stabilization and erosion control practices in the Appalachia region. No funds were obligated in 1965. This increase will provide a slightly lower level of operation than estimated for 1966.

(3) An increase of \$400,000 to provide for the full year costs in fiscal year 1967 of the pay increase pursuant to P.L. 89-301. (An over-all explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1.)



FEDERAL CROP INSURANCE CORPORATION

Purpose Statement

The Federal Crop Insurance Corporation is a wholly owned Government Corporation created February 16, 1938, (7 U.S.C. 1501) to carry out the Federal Crop Insurance Act. The purpose of this act is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance and providing the means for research and experience helpful in devising and establishing such insurance.

Crop insurance offered to agricultural producers by the Corporation provides protection from losses caused by unavoidable natural hazards, such as insect and wildlife damage, plant diseases, fire, drought, flood, wind, and other weather conditions. It does not indemnify producers for losses resulting from negligence or failure to observe good farming practices.

The 1966 crop insurance program will operate in 1,304 counties, furnishing insurance coverage of approximately \$689 million on apples, barley, beans, cherries, citrus, combined crops, corn, cotton, flax, grain sorghum, oats, peaches, peanuts, peas, potatoes, raisins, rice, safflower, soybeans, sugar beets, tobacco, tomatoes, tung nuts, and wheat. It is estimated that 491,000 crops will be insured for the 1966 crop year, as compared to 450,633 for the 1965 crop year.

A summary of insurance operations and changes in capital for fiscal year 1965, and estimates for the fiscal years 1966 and 1967 follows:

Summary of operation and changes in capital:

	<u>1965</u>	<u>1966</u>	<u>1967</u>
Net capital at beginning of year	\$43,688,889	\$41,923,919	\$37,818,919
Additions to capital during the year:			
Insurance premiums (net)	33,869,193	36,252,000	42,100,000
Interest and other income	<u>33,870</u>	<u>25,000</u>	<u>25,000</u>
Total capital available for insurance operations during year	77,591,952	78,200,919	79,943,919
Deductions from capital during the year:			
Insurance indemnities	30,381,357	34,415,000	37,932,000
Loss adjustment and inspection costs	1,661,580	1,677,000	1,831,000
Administrative expenses charged to program operations	3,341,348	4,000,000	4,000,000
Prior year adjustments	31,493	- -	- -
Estimated uncollectible premiums ..	<u>252,255</u>	<u>290,000</u>	<u>337,000</u>
Total deductions from capital	<u>35,668,033</u>	<u>40,382,000</u>	<u>44,100,000</u>
Net capital at end of year	<u>41,923,919</u>	<u>37,818,919</u>	<u>35,843,919</u>

Analysis of capital:

	<u>1965</u>	<u>1966</u>	<u>1967</u>
Capital Stock:			
Authorized	\$100,000,000	\$100,000,000	\$100,000,000
Unissued	<u>60,000,000</u>	<u>60,000,000</u>	<u>60,000,000</u>
Issued	40,000,000	40,000,000	40,000,000
Surplus (+) or Deficit (-) ..	<u>+1,923,919</u>	<u>-2,181,081</u>	<u>-4,156,081</u>
Net Capital at end of year ..	<u><u>41,923,919</u></u>	<u><u>37,818,919</u></u>	<u><u>35,843,919</u></u>

The crop insurance programs are developed and analyzed in the Washington headquarters office and are administered in the field by 4 area offices and 23 State offices. Sales and servicing of contracts at the county level is performed by private agents under contractual agreements with the Corporation and by Corporation employees hired on a permanent, part-time or W.A.E. (when actually employed) basis. Detailed administrative and program accounting and statistical functions are performed by a Branch Office in Kansas City, Missouri.

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Administrative and Operating Expenses:						
Appropriation	\$7,477,789	725	\$8,192,000	777	\$8,546,000	793
Federal Crop Insurance Corporation Fund	3,638,000	191	4,000,000	287	4,000,000	276
Total, Agricultural Appropriation Bill	11,115,789	916	12,192,000	1,064	12,546,000	1,069
Other funds:						
Miscellaneous reimbursements	627	- -	1,000	- -	- -	- -
Loss Adjustment Cost (Non-Administrative and Operating expenses) Paid from:						
Federal Crop Insurance Corporation Fund	1,661,580	192	1,677,000	197	1,831,000	210
Total, Federal Crop Insurance Corporation <u>a/</u>	12,777,996	1,108	13,870,000	1,261	14,377,000	1,279

a/ Exclusive of corporate funds, other than those shown above for administrative and operating expenses and for loss adjustment costs.



Administrative and Operating Expenses

	<u>Appropriation</u>	<u>Administrative Expenses Payable from Premium Income</u>	<u>Total</u>
Appropriation Act, 1966	\$8,000,000	\$4,000,000	\$12,000,000
Transferred to "Operating Expenses, Public Buildings Service, General Services Administration" for space rental	-10,000	- -	-10,000
Proposed supplemental, 1966, for increased pay costs	202,000	- -	202,000
Base for 1967	8,192,000	4,000,000	12,192,000
Budget Estimate, 1967	8,546,000	4,000,000	12,546,000
Increase	<u>+354,000</u>	<u>- -</u>	<u>+354,000</u>

NOTE: The Corporation's 1967 budget estimate includes \$4,000,000 for administrative and operating expenses payable from premium income and \$8,546,000 by annual appropriation. For clarity and completeness, the following project statement and justifications cover the total estimated amounts required for administrative and operating expenses of the Corporation.

SUMMARY OF INCREASES AND DECREASES

	<u>1966 Available</u>	<u>Increases and Decreases Pay Costs</u>	<u>Other</u>	<u>1967 Estimate</u>
Underwriting and actuarial analysis .	\$1,343,000	+\$8,000	- -	\$1,351,000
Contract sales and servicing cost ...	9,313,000	+46,000	+\$245,000	9,604,000
Crop inspections and loss adjustment costs	1,536,000	+11,000	+44,000	1,591,000
Total	<u>12,192,000</u>	<u>+65,000</u>	<u>+289,000</u>	<u>12,546,000</u>

PROJECT STATEMENT

Project	1965	1966 (estimated)	Increases and Decreases Increased Pay Costs (P.L.89-301)	Other	1967 (estimated)
1. Underwriting and actuarial analysis ...	\$1,175,359	\$1,343,000	+\$8,000	- -	\$1,351,000
2. Contract sales and servicing	8,198,985	9,313,000	+46,000	+\$245,000(1)	9,604,000
3. Crop inspection and loss adjustments	1,444,793	1,536,000	+11,000	+44,000(2)	1,591,000
Subtotal	10,819,137	12,192,000	+65,000	+289,000	12,546,000
Deduct: Obligations payable from premium income	a/-3,341,348	-4,000,000	- -	- -	-4,000,000

Project	1965	1966 (estimated)	Increases and Decreases		
			Increased :		
			Pay Costs	Other	(estimated)
			(P.L.89-301)		
Total increased pay costs (P.L. 89-301) ..	(- -)	(230,000)	(+77,000)	(+12,000)	(319,000)
Total available or estimate	7,477,789	8,192,000	+65,000(3)	+289,000	8,546,000

a/ Excludes \$296,652 unobligated balance under the limitation on administrative and operating expenses payable from premium income.

BASIS OF THE FISCAL YEAR 1967 ESTIMATES

The Fiscal year 1967 budget estimate for administrative and operating expenses is \$12,546,000, which is an increase of \$354,000 above the funds estimated for F.Y. 1966. The estimate is based on plans to provide crop insurance protection to an increased number of farmers in 1967. Additional farmers' crops will be protected and insurance will be offered in 40 counties for the first time.

The need to broaden the insurance program has been stimulated by the increased recognition of the value of crop insurance by the farmers to protect their crop investments against losses from natural hazards beyond their control. Increased participation in the program will enable the spreading of crop insurance coverage over a greater area and eventually make all-risk crop insurance protection available to farmers on a national basis.

Based on the planned increased insurance protection that the Corporation expects to provide farmers in fiscal year 1967, additional resources will be required primarily at the county level to sell and service the crop insurance program, and provide funds proportionately for other related services of the program.

The following table summarizes the planned level of crop insurance operations for fiscal year 1967, compared with 1965 and 1966:

	<u>1965</u>	<u>1966</u>	<u>1967</u>
Insurance coverage (in thousands)	\$592,928	\$689,000	\$728,000
Premiums (in thousands)	\$36,252	\$42,100	\$44,500
Indemnities (in thousands)	\$34,415	\$37,932	\$40,000
Loss ratio .....	.95	.90	.90
Counties	1,214	1,304	1,314
County programs	2,781	3,069	3,164
Crops insured	450,633	491,000	506,000
Insured acreage (in thousands)	15,379	17,860	18,870
Adm. + Oper. Exp. (in thousands)	\$10,819	\$12,192	\$12,546

The following table shows the county programs offered in 1964 and 1965, and the number planned for 1966 and 1967:

<u>County Programs and Counties</u>				
<u>Commodity</u>	1964 Crop Year County Programs	1965 Crop Year County Programs	1966 Crop Year County Programs	1967 Crop Year County Programs
Apple	3	4	6	7
Apple	178	175	179	181
Almond	30	31	33	37
Apricot	1	1	1	2
Barley	12	14	16	18
Combined crop	18	15	15	15
Corn	446	458	507	526
Cotton	221	229	260	268
Cup	88	88	88	90
Lin sorghum	94	100	131	135
.....	216	221	242	248
.....	20	20	20	24
Wheat	20	21	23	25
Walnut	43	46	52	55
Watermelon	9	14	14	14
Wheat	7	7	7	7
Wheat	17	19	23	25
Flower	2	2	2	3
Bean	436	450	540	552
Beet	- -	4	13	16
Cacao	217	224	248	253
Cato	10	10	10	12
ug nut	- -	1	1	3
at	597	627	638	647
Total County Programs	2,685	2,781	3,069	3,163
Counties offering insurance	1,187	1,214	1,304	1,344

In order to provide more of the Nation's farmers with crop insurance protection and service in F.Y. 1967, the following increases will be necessary in administrative and operating expenses:

INCREASES

1. An increase of \$245,000 for "Contract Sales and Servicing".

The crop insurance program in fiscal year 1967 provides for increasing farmers participation in the program from 491,000 to 506,000 crops insured, and increasing premiums from \$42.1 to \$44.5 million. This increase will provide approximately \$39 million additional crop insurance protection to farmers totaling an estimated \$728 million by fiscal year 1967. In order to reach the programs' planned goals in fiscal year 1967, it will be necessary to enable agents and Corporations' personnel at the county level to make approximately 113,000 sales.

In addition to selling contracts, servicing work must be performed, such as: obtaining acreage data on all crops insured; collecting premiums; conducting sales training programs; and developing advertising media to improve sales.

Methods of Selling Crop Insurance: The Corporation uses two different methods of selling and servicing crop insurance in the counties which are described as follows:

Contracts with Agents: In approximately 175 counties, the Corporation contracts with agents to perform all the duties of selling and servicing the crop insurance program, including the maintenance of an office as a contact point for policyholders and others interested in obtaining information about crop insurance. For this service the agents receive payment based on the number of contracts in force and the amount of premiums earned and collected.

FCIC county offices and service agreements: In the remaining counties, the program is sold and serviced through agreements with individuals who have contracts with the Corporation to maintain county offices, and handle the paper work incidental to the administration of the program for a fixed monthly charge, or through offices staffed by Corporation employees. The direct contact work of selling and servicing the program in the field is done mainly by WAE (when actually employed) Corporation employees.

Currently the Corporation is consolidating individual district offices operated under service agreements in offices servicing from 3 to 8 counties operated by a civil service employee.

Experience has shown that such consolidated offices staffed by a full-time civil service employee under the direct supervision and direction of the Corporation is more effective than having the service performed under contract on a part-time basis in individual counties. This plan also provides a permanent organizational structure instead of having to move the county office each time a service agent resigns, and a new one is obtained.

In fiscal year 1967 it is estimated that these offices will service about 967 counties for an average of about 5 counties each. However, the Corporation will continue to use the service agreements in a limited number of counties when it is not possible to consolidate such counties because of their location.

The following is a breakdown of the total increase for "Contract Sales and Servicing"

a. County Operations (\$6,236,000 available in 1966)

An increase of \$178,000 is being proposed for district offices; fieldmen; district directors and supervisors; agents; and "B" agreements. This amount will be used to establish 8 new offices to service 40 more counties and to strengthen the operations of the existing district offices. To successfully broaden sales and provide the necessary servicing of the crop insurance program, additional resources will be needed for agents and field representatives, who are the Corporation's personal contact with the farmers, farm community leaders, business firms, and credit representatives. The success of reaching our goal to provide more farmers with insurance for 1967 will depend on these representatives.

b. Other Related Selling and Servicing Costs (\$3,077,000 available in 1966)

An increase of \$67,000 will be necessary for servicing the increased program in the state, branch, area, and headquarters offices of the Corporation to provide the farmers with efficient insurance service and information. It is estimated that a major portion of this cost will occur in the field offices, where the workload will be heavier as the crop insurance program increases.

This increase will also provide additional resources required to (1) effectively maintain training material and services; and (2) improve advertising to broaden the awareness of current and potential policyholders of the protection offered by Federal Crop Insurance.

The following table shows the crops insured for 1965 and estimates for 1966 and 1967:

Participation Summary of Crops Insured
1965, 1966, and 1967 Crop Years

	Actual 1965	Estimated 1966			Estimated 1967		
		Carryover	Sales	Total	Carryover	Sales	Total
Apple	278	200	300	500	300	700	1,000
Alley	21,143	17,800	4,200	22,000	19,000	4,000	23,000
Alfalfa	4,653	3,400	1,600	5,000	3,800	1,400	5,200
Cherry	122	100	100	200	100	200	300
Citrus	1,867	1,500	1,000	2,500	2,000	1,000	3,000
Combined crop	4,173	3,500	700	4,200	3,500	1,000	4,500
Corn	84,297	66,500	26,500	93,000	74,000	21,000	95,000
Cotton	21,152	14,000	10,000	24,000	16,000	9,000	25,000
Culx	20,341	18,000	3,000	21,000	19,000	3,000	22,000
Crim sorghum	9,228	7,000	5,000	12,000	8,500	4,500	13,000
Cassia	32,966	27,000	9,000	36,000	31,000	6,000	37,000
Celery	3,432	3,000	1,000	4,000	3,000	1,000	4,000
Each	762	700	300	1,000	800	200	1,000
Walnut	4,197	2,600	2,400	5,000	3,000	2,500	5,500
Wheat	759	600	400	1,000	800	700	1,500
Wheat	1,847	1,300	700	2,000	1,500	500	2,000
Wheat	201	100	200	300	200	300	500
Flower	36	36	164	200	200	300	500
Bean	63,268	48,964	24,036	73,000	58,000	17,000	75,000
Beet	449	400	1,100	1,500	1,000	1,000	2,000
Tobacco	76,416	58,600	23,400	82,000	64,000	19,000	83,000
Potato	166	100	100	200	200	200	400
Peanut	47	47	53	100	100	500	600
Wheat	98,833	81,553	18,747	100,300	83,000	18,000	101,000
Total	450,633	357,000	134,000	491,000	393,000	113,000	506,000

2. An increase of \$44,000 in crop inspections and loss adjustments.

Additional funds will be needed primarily in the field offices to handle a larger loss claims workload during fiscal year 1967. The estimated costs and claims workloads are based on the average number of losses and inspections processed during the past several years. However, the actual crop loss workload in fiscal year 1967 may vary, depending on the growing conditions as well as the number of crops insured. The workload trend is as follows:

	<u>Workload</u>			
	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>Change</u>
No. of inspections	130,113	136,000	150,000	+14,000

Additional funds will be necessary to maintain a continuous review and analysis of the loss adjustment activity as the Corporation's insurance service increases to more farmers. New or revised criteria and techniques for determining the insurance liability for adjusting losses must be developed, based on the latest experience, to maintain this function within the current established procedures and regulations.

Included in the above increase is the development of loss adjustment instructions and procedures for a nationwide training program for local adjusters who are employed as needed to handle the various types of crop insurance losses.

Direct Cost of inspections and loss adjustments

In addition to the above costs, the direct costs of inspection and adjusting losses in the counties are paid from Capital Funds. These costs are considered by the Corporation as non-administrative and non-operating expenses as provided in the Federal Crop Insurance Act, as amended. The direct costs of inspections and adjusting losses include salaries, travel and social security contributions for employees who are for the most part W.A.E.'s ("when actually employed").

The following table reflects the number of crops insured, inspections, insurance liability, and loss ratio for the last four years, and estimates for 1965 and 1966 crop years:

<u>Crop Year</u>	<u>Crops Insured</u>	<u>Inspections</u>	<u>Insured Liability</u> (Thousands)	<u>Loss Ratio</u>
1961	320,056	65,017	\$271,709	.89
1962	364,175	86,746	356,553	1.10
1963	418,076	94,038	496,970	.78
1964	447,567	130,113	542,416	.90
1965	450,633	136,000	592,928	.95
1966	491,000	150,000	689,000	.90

Losses are adjusted in the field by local adjusters who are employed as needed and work under the supervision of state office personnel. They prepare the loss claims and transmit them to the state offices for review and approval. The claims are then forwarded to the Branch Office for payment. The direct cost of inspections and adjusting losses from Capital Funds is estimated as follows:

	<u>1965</u> <u>Estimated</u>	<u>1966</u> <u>Estimated</u>	<u>1967</u> <u>Estimated</u>
Total from Capital Funds ..	\$1,661,580	\$1,677,000	\$1,831,000

(3) An increase of \$65,000 to provide for the full year cost in fiscal year 1967 of the pay increase pursuant to P.L. 89-301 (An overall explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1).

STATUS OF PROGRAM

The Federal Crop Insurance Corporation is a wholly-owned Government Corporation which provides all-risk crop insurance protection against unavoidable causes of loss. The Corporation's objective is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance. In 1948, the crop insurance program was placed on a limited basis and offered in a limited number of counties and on selected crops to obtain adequate experience to offer the all-risk crop insurance protection to farmers on a national basis.

Summary of Experience 1948 - 1964: During this 17 year period premiums of \$348.6 million exceeded indemnities of \$324.6 million by \$24.0 million. Premiums exceeded indemnities in 10 of the 17 years since the program was placed on an experimental basis in 1948. The number of counties in which crop insurance is offered has increased from 375 in 1948 to 1,187 in 1964, and crops insured from 169,125 to 447,567.

Wheat continues to dominate the Corporation's cumulative experience. Of the total premiums of \$348.6 million, \$170.4 million or 49% was derived from the wheat program. Wheat indemnities were \$150.4 million or 46% of the total. The loss ratio for wheat for the period is .88 compared to .93 for all commodities.

The following tables summarize the experience for the period 1948 to 1964 by crops and years:

SUMMARY OF EXPERIENCE - BY CROPS

CROP YEARS 1948 - 1964

(Dollars in thousands)

<u>Crop</u>	<u>Premiums</u>	<u>Indemnities</u>	Excess of <u>Premiums over</u> <u>Indemnities a/</u>	<u>Loss</u> <u>Ratio</u>
Apple	235	121	114	.51
Barley	5,300	4,539	761	.86
Bean	2,627	2,959	-332	1.13
Cherry	78	171	-94	2.20
Citrus	4,775	9,114	-4,339	1.91
Combined Crop	29,657	35,944	-6,287	1.21
Corn	40,401	45,217	-4,816	1.12
Cotton	31,327	28,083	3,245	.90
Flax	11,122	9,301	1,821	.84
Grain Sorghum	1,359	1,176	183	.87
Oat	1,573	1,065	507	.68
Pea	717	1,387	-670	1.93
Peach	1,492	2,848	-1,356	1.91
Peanut	1,466	1,398	69	.95
Potato	591	1,644	-1,053	2.78
Raisin	1,193	1,317	-124	1.10
Rice	131	76	55	.58
Safflower	2	5	-3	3.01
Soybean	9,399	7,673	1,727	.82
Tobacco	34,711	20,105	14,606	.58
Tomato	58	18	40	.31
Wheat	<u>170,368</u>	<u>150,422</u>	<u>19,945</u>	<u>.88</u>
Total	<u>348,582</u>	<u>324,583</u>	<u>23,999</u>	<u>.93</u>

a/ Excess of indemnities over premiums indicated by (-) minus sign.

SUMMARY OF EXPERIENCE - BY CROP YEARS
1948 - 1964

<u>Crop Year</u>	<u>Premiums</u>	<u>Indemnities</u>	<u>Excess of Premiums over Indemnities a/</u>	<u>Loss Ratio</u>
1948	12,684	6,780	5,904	.53
1949	11,733	15,531	-3,798	1.32
1950	14,104	12,799	1,305	.91
1951	19,111	21,339	-2,228	1.12
1952	21,201	20,609	592	.97
1953	27,098	31,056	-3,958	1.15
1954	22,655	28,031	-5,376	1.24
1955	22,330	25,504	-3,174	1.14
1956	22,139	27,890	-5,751	1.26
1957	17,407	12,004	5,403	.69
1958	17,616	4,505	13,111	.26
1959	18,462	14,138	4,324	.77
1960	17,797	10,316	7,481	.58
1961	18,149	16,092	2,057	.89
1962	21,853	24,022	-2,169	1.10
1963	30,374	23,586	6,788	.78
1964	<u>33,869</u>	<u>30,381</u>	<u>3,488</u>	<u>.90</u>
Total	<u>348,582</u>	<u>324,583</u>	<u>23,999</u>	<u>.93</u>

a/ Excess of indemnities over premiums indicated by (-) minus sign.

SUMMARY OF 1964 CROP YEAR EXPERIENCE BY STATE

State	No. of Insured Crops	Insured Coverage (Thousands)	Premiums (Thousands)	Indemnities (Thousands)	Excess of Premiums over <u>a/</u> Indemnities (Thousands)
Alabama	6,173	\$11,041	\$656	\$349	\$307
Arkansas	1,646	5,789	425	781	-356
California	2,527	17,068	824	454	370
Colorado	7,159	8,955	1,043	1,797	-754
Florida	1,722	11,871	851	513	338
Georgia	2,377	4,204	319	268	51
Idaho	6,234	10,181	529	1,303	-774
Illinois	10,651	11,938	624	354	270
Indiana	11,212	9,389	458	289	169
Iowa	40,213	45,837	2,563	1,359	1,204
Kansas	25,748	22,584	2,026	1,237	789
Kentucky	15,852	10,146	422	208	214
Louisiana	1,098	4,488	258	453	-195
Maryland	1,416	1,574	80	24	56
Michigan	5,745	3,153	202	163	39
Minnesota	80,731	56,846	3,820	7,234	-3,414
Mississippi	1,604	8,690	498	457	41
Missouri	14,682	5,219	438	410	28
Montana	7,811	26,609	2,092	506	1,586
Nebraska	13,460	14,907	1,295	1,049	246
New Mexico	647	2,968	193	151	42
North Carolina	32,360	61,984	2,032	578	1,454
North Dakota	41,252	47,064	3,596	1,461	2,135
Ohio	15,684	10,942	530	451	79
Oklahoma	7,979	7,263	658	722	-64
Oregon	2,799	8,381	330	861	-531
Pennsylvania	2,966	1,685	77	90	-13
South Carolina	3,730	8,713	592	1,371	-779
South Dakota	19,764	13,536	1,502	1,522	-20
Tennessee	16,839	6,848	365	187	178
Texas	11,452	33,463	2,316	823	1,493
Utah	360	863	60	80	-20
Virginia	13,299	25,815	920	900	20
Washington	2,512	10,601	380	220	160
Wisconsin	16,916	10,658	786	1,655	-869
Wyoming	947	1,143	109	101	8
Total	<u>447,567</u>	<u>542,416</u>	<u>33,869</u>	<u>30,381</u>	<u>3,488</u>

a/ Excess of indemnities over premiums indicated by (-) minus sign.

Operating Experience - Crop Year:1964:

Premium income for 1964 crop year is \$33,869,193, which is an increase of approximately \$3,495,000 over the 1963 crop year net premium income.

Wheat had the largest premium increase amounting to approximately \$1,684,000 followed by corn showing a premium gain of \$1,174,000 and soybean with an increase of \$955,000. These three commodities account for the greatest portion of the premium increase in crop year 1964. Of the 21 crops insured in 1963, 13 had premium increases while 8 had premium decreases in 1964. Wheat premiums represent 30% of the total premiums, corn 19%, cotton 11%, and soybean and tobacco 10% each.

Safflower was added in crop year 1964 to the list of commodities insured making the total 24.

Indemnities for the 1964 crop year totaled \$30,381,357 resulting in a loss ratio of .90. The corn program with indemnities of \$10,514,000 and a loss ratio of 1.67 accounted for 35% of the total indemnities.

Each year Federal Crop Insurance has paid indemnities due to many different specific causes of losses. Some of these causes of loss spread their damage over large areas, others were confined to a few counties or even an area within a county.

Loss experience caused by severe weather conditions in some areas resulted in unfavorable loss experience in a number of 1964 crops. The major losses on these crops occurred in the following states:

<u>State</u>	<u>Crop</u>	<u>Excess of Indemnities Over Premiums</u>	<u>Loss Ratio</u>
Minnesota	Corn	\$3,329,090	2.56
Wisconsin	Corn	888,359	2.68
South Carolina	Peach	870,138	3.77
Colorado	Wheat	761,929	1.90
Oregon	Pea	551,586	4.89
Idaho	Potato	526,398	4.19
Arkansas	Soybean	414,041	2.43

The most favorable 1964 loss experience occurred in the following states:

<u>State</u>	<u>Crop</u>	<u>Excess of Premiums Over Indemnities</u>	<u>Loss Ratio</u>
North Dakota	Wheat	\$1,574,182	.31
North Carolina	Tobacco	1,459,117	.15
Montana	Wheat	1,354,435	.24
Texas	Cotton	1,287,518	.35
Kansas	Wheat	859,847	.48
Iowa	Corn	586,146	.68
Iowa	Soybean	548,281	.19

The table on the following page shows the number of 1964 insurance programs and counties:

State	Wheat	Tobacco	Cotton	Corn	Comb. Crop	Flax	Beans	Barley	Soybeans	Oats	Rice	Gr. Sorghum	Citrus *	Peaches	Raisins	Peanuts	Peas	Potatoes	Apples	Cherries	Tomatoes	Safflower	Total		
																							Prog.	Cos.	
Alabama			24						3					1		8								36	25
Arkansas			15						16		10			4										45	18
California	4							4		1			1		7			1						18	9
Colorado	15			7			7	8	1															37	15
Florida		5	1										11			1								19	18
Georgia		23	18				7	25						1		16								58	32
Idaho	25									2							5							69	25
Illinois	35								52	4														146	55
Indiana	36								46															132	46
Iowa								72	72															217	73
Kansas	101							10				35												162	101
Kentucky	1	53	1	2				3																60	54
Louisiana			15					8			5													28	18
Maryland	2	4						2	2															12	6
Michigan	21			18			8	20	9	2											1			59	22
Minnesota	29			45	3	33		49	55							2								236	57
Mississippi		24						18			2													44	24
Missouri	41			48				45																134	48
Montana	25																							47	25
Nebraska	46			26			3	22	4			12										2		93	59
New Mexico			4																					4	4
North Carolina		56	25	2					4					4		8								99	60
North Dakota	52		4		9	36		43	3	26														173	52
Ohio	39	3	45					42				18				2								135	48
Oklahoma	37		8						2															67	37
Oregon	12							11		1								2	2					28	12
Pennsylvania	6	3	6					6		3														24	6
South Carolina		11	23						11					10										55	25
South Dakota	37			23	6	19		20	12	27														144	47
Tennessee	2	35	19	2				11				29												69	49
Texas	13		42																					84	49
Utah	2							1																3	2
Virginia		21	2	2					2							8								35	25
Washington							3	13																40	15
Wisconsin	13	3						2	11	23								7	1	3				66	23
Wyoming			23															4						7	3
TOTAL	597	217	221	446	18	88	30	178	436	216	17	94	12	20	7	43	20	9	3	1	10	2		2,685	1,187

* Includes oranges in California and citrus in Florida.

Program Plans: The Corporation will continue to provide crop insurance to as many farmers as possible within its available resources, while maintaining the economic soundness of the program.

The specific methods by which the Corporation plans to meet its objectives in crop years 1966 and 1967 are:

1. Provide for crop insurance sales and servicing in 90 new counties in 1966 and 40 new counties in 1967. This will enable the maximum number of farmers to participate in this self-help program which is not available from any other source.
2. Offer crop insurance on additional commodities in counties where there are existing crop insurance programs.
3. Maintain the crop insurance program on a sound basis through continuous review and analysis of rates and coverages. Review contract and regulation provisions to determine if they are achieving the results desired.
4. Provide more insurance information to farmers to increase their awareness of available crop investment protection offered by the Corporation.

Program Statistics: The following tables show statistical data by commodities for the past five years (crop years 1961 through 1965). The 1965 crop year statistical information is estimated.

A P P L E

<u>Item</u>	<u>C r o p Y e a r</u>				
	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Number of states	(No program		1	1	2
Number of counties	until 1963		3	3	4
Number of crops insured			188	126	278
Insurance coverage (\$1,000) .			\$2,378	\$1,034	\$1,581
Number of indemnities			32	33	52
Premiums (\$1,000)			\$163	\$71	\$158
Indemnities (\$1,000)			\$57	\$63	\$93
Excess of premiums over					
indemnities (\$1,000) <u>a</u> /....			\$106	\$8	\$65
Loss ratio .....			.35	.89	.59

B A R L E Y

Number of states	12	12	13	14	14
Number of counties	109	138	163	178	175
Number of crops insured	14,296	19,253	22,073	22,166	21,143
Insurance coverage (\$1,000) .	\$6,263	\$8,421	\$12,188	\$10,754	\$9,191
Number of indemnities	2,778	2,078	2,536	1,389	563
Premiums (\$1,000)	\$612	\$877	\$1,150	\$1,017	\$839
Indemnities (\$1,000)	\$934	\$707	\$1,207	\$541	\$226
Excess of premiums over					
indemnities (\$1,000) <u>a</u> /....	-\$322	\$170	-\$57	\$476	-\$613
Loss ratio	1.53	.81	1.05	.53	.27

B E A N

Number of states	6	6	6	6	6
Number of counties	23	25	26	30	31
Number of crops insured	4,705	4,928	5,216	4,572	4,653
Insurance coverage (\$1,000) .	\$2,390	\$2,732	\$3,903	\$4,102	\$6,281
Number of indemnities	238	739	246	574	959
Premiums (\$1,000)	\$163	\$184	\$251	\$253	\$368
Indemnities (\$1,000)	\$89	\$374	\$154	\$400	\$729
Excess of premiums over					
indemnities (\$1,000) <u>a</u> /....	\$74	-\$190	\$97	-\$147	\$361
Loss ratio .....	.54	2.03	.61	1.58	1.98

C H E R R Y

Number of states	(No program		1	1	1
Number of counties	until 1963		1	1	1
Number of crops insured			92	131	122
Insurance coverage (\$1,000) .			\$325	\$418	\$321
Number of indemnities			110	20	51
Premiums (\$1,000)			\$34	\$44	\$34
Indemnities (\$1,000)			\$162	\$9	\$55
Excess of premiums over					
indemnities (\$1,000) <u>a</u> /....			-\$128	\$35	\$21
Loss ratio			4.84	.21	1.65

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C I T R U S

<u>Item</u>	<u>C r o p Y e a r</u>				
	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Number of states	3	3	2	2	3
Number of counties	10	14	12	12	14
Number of crops insured	593	1,248	1,618	1,699	1,867
Insurance coverage (\$1,000) .	\$4,118	\$9,380	\$15,057	\$15,672	\$17,624
Number of indemnities	624	2,798	23	441	1,315
Premiums (\$1,000)	\$294	\$688	\$1,144	\$1,183	\$1,394
Indemnities (\$1,000)	\$695	\$6,361	\$90	\$528	\$1,255
Excess of premiums over indemnities (\$1,000) <u>a</u> /....	-\$401	-\$5,673	\$1,054	\$655	\$139
Loss ratio	2.36	9.25	.08	.90	.90

C O M B I N E D C R O P

Number of states	7	7	4	3	2
Number of counties	38	26	26	18	15
Number of crops insured	8,478	6,406	5,558	4,785	4,173
Insurance coverage (\$1,000) .	\$14,478	\$10,531	\$11,187	\$10,574	\$9,929
Number of indemnities	1,519	966	584	636	156
Premiums (\$1,000)	\$850	\$572	\$604	\$557	\$511
Indemnities (\$1,000)	\$1,048	\$435	\$271	\$250	\$42
Excess of premiums over indemnities (\$1,000) <u>a</u> /....	-\$198	\$136	\$333	\$307	\$469
Loss ratio	1.23	.76	.45	.45	.08

C O R N

Number of states	15	15	20	20	20
Number of counties	272	337	379	446	458
Number of crops insured	50,872	59,869	67,838	80,804	84,297
Insurance coverage (\$1,000) .	\$44,838	\$55,964	\$75,936	\$102,212	\$109,299
Number of indemnities	2,214	12,559	5,676	22,977	21,377
Premiums (\$1,000)	\$2,756	\$3,629	\$5,131	\$6,305	\$7,038
Indemnities (\$1,000)	\$644	\$5,502	\$2,083	\$10,514	\$9,033
Excess of premiums over indemnities (\$1,000) <u>a</u> /....	\$2,112	-\$1,873	\$3,048	-\$4,209	\$1,995
Loss ratio .....	.23	1.52	.41	1.67	1.28

C O T T O N

Number of states	12	12	14	14	15
Number of counties	141	161	198	221	229
Number of crops insured	15,375	21,312	26,522	24,865	21,152
Insurance coverage (\$1,000) .	\$17,890	\$36,193	\$56,411	\$57,433	\$46,151
Number of indemnities	5,494	8,284	4,554	3,253	5,721
Premiums (\$1,000)	\$1,282	\$2,229	\$3,506	\$3,611	\$2,883
Indemnities (\$1,000)	\$1,769	\$2,760	\$2,450	\$1,656	\$2,384
Excess of premium over indemnities (\$1,000) <u>a</u> /....	-\$487	-\$531	\$1,056	\$1,955	\$499
Loss ratio	1.38	1.24	.70	.46	.83

F L A X

<u>Item</u>	<u>C r o p Y e a r</u>				
	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Number of states	3	3	3	3	3
Number of counties	74	82	84	88	88
Number of crops insured	17,647	19,286	19,995	20,089	20,341
Insurance coverage (\$1,000) .	\$3,411	\$4,300	\$5,897	\$4,960	\$4,857
Number of indemnities	2,297	1,485	2,348	3,603	1,005
Premiums (\$1,000)	\$440	\$553	\$684	\$614	\$601
Indemnities (\$1,000)	\$560	\$358	\$542	\$867	\$218
Excess of premiums over indemnities (\$1,000) <u>a/</u> ...	-\$120	\$195	\$142	-\$253	\$383
Loss ratio	1.27	.65	.79	1.41	.36

G R A I N S O R G H U M

Number of states	3	3	4	4	4
Number of counties	3	27	67	94	100
Number of crops insured	77	751	5,686	9,025	9,228
Insurance coverage (\$1,000) .	\$15	\$1,847	\$8,408	\$10,271	\$9,724
Number of indemnities	4	65	1,047	2,661	739
Premiums (\$1,000)	\$1	\$89	\$565	\$697	\$686
Indemnities (\$1,000)	\$1	\$35	\$426	\$713	\$251
Excess of premiums over indemnities (\$1,000) <u>a/</u> ...	- -	\$54	\$139	-\$16	\$435
Loss ratio .....	.70	.39	.75	1.02	.37

O A T S

Number of states	6	6	11	11	11
Number of counties	24	86	167	216	221
Number of crops insured	4,908	11,899	22,084	30,395	32,966
Insurance coverage (\$1,000) .	\$1,214	\$3,291	\$6,549	\$7,897	\$8,093
Number of indemnities	716	795	1,932	2,655	891
Premiums (\$1,000)	\$96	\$249	\$481	\$582	\$596
Indemnities (\$1,000)	\$121	\$118	\$290	\$402	\$129
Excess of premiums over indemnities (\$1,000) <u>a/</u> ...	-\$25	\$131	\$191	\$180	\$467
Loss ratio	1.26	.47	.60	.69	.22

P E A

Number of states	(No	1	4	5	5
Number of counties	program	1	12	20	20
Number of crops insured	until	149	1,042	2,260	3,432
Insurance coverage (\$1,000) .	1962)	\$2,226	\$4,763	\$5,932	\$6,039
Number of indemnities		125	244	745	889
Premiums (\$1,000)		\$103	\$261	\$353	\$413
Indemnities (\$1,000)		\$317	\$138	\$932	\$350
Excess of premiums over indemnities (\$1,000) <u>a/</u> ...		-\$214	\$123	-\$579	\$63
Loss ratio		3.08	.53	2.64	.85

P E A N U T

Item	<u>C r o p Y e a r</u>				
	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Number of states	(No	2	6	6	6
Number of counties	program	4	33	43	46
Number of crops insured	until	1,649	4,302	4,499	4,197
Insurance coverage (\$1,000) .	1962)	\$3,822	\$9,992	\$10,824	\$11,588
Number of indemnities		214	1,103	1,508	559
Premiums (\$1,000)		\$193	\$613	\$660	\$676
Indemnities (\$1,000)		\$67	\$469	\$861	\$225
Excess of premiums over					
indemnities (\$1,000) <u>a/</u> ...		\$126	\$144	-\$201	\$451
Loss ratio .....		.35	.77	1.31	.33

P E A C H

Number of states	1	1	5	5	5
Number of counties	1	4	19	20	21
Number of crops insured	46	359	790	688	762
Insurance coverage (\$1,000) .	\$117	\$2,633	\$4,074	\$3,544	\$5,154
Number of indemnities	25	264	498	936	230
Premiums (\$1,000)	\$24	\$326	\$508	\$447	\$653
Indemnities (\$1,000)	\$15	\$590	\$525	\$1,567	\$346
Excess of premiums over					
indemnities (\$1,000) <u>a/</u> ...	\$9	-\$64	-\$17	-\$1,120	\$307
Loss ratio .....	.63	1.81	1.04	3.51	.53

P O T A T O

Number of states	(No	1	4	4	4
Number of counties	program	1	9	9	14
Number of crops insured	until	334	590	484	759
Insurance coverage (\$1,000) .	1962)	\$1,738	\$6,311	\$3,735	\$3,250
Number of indemnities		129	189	237	72
Premiums (\$1,000)		\$91	\$309	\$190	\$203
Indemnities (\$1,000)		\$198	\$689	\$756	\$191
Excess of premiums over					
indemnities (\$1,000) <u>a/</u> ...		-\$107	-\$380	-\$566	\$12
Loss ratio		2.17	2.23	3.98	.94

R A I S I N

Number of states	1	1	1	1	1
Number of counties	7	7	7	7	7
Number of crops insured	1,467	1,938	1,993	1,605	1,847
Insurance coverage (\$1,000) .	\$10,279	\$10,395	\$12,926	\$10,082	\$14,486
Number of indemnities	2	- -	323	2	56
Premiums (\$1,000)	\$284	\$259	\$360	\$291	\$401
Indemnities (\$1,000)	\$2	- -	\$1,311	\$5	\$75
Excess of premiums over					
indemnities (\$1,000) <u>a/</u> ...	\$282	\$259	-\$951	\$286	\$326
Loss ratio .....	.01	- -	3.64	.02	.19

R I C E

<u>Item</u>	<u>C r o p Y e a r</u>				
	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Number of states	2	2	3	3	3
Number of counties	4	6	9	17	19
Number of crops insured	65	94	98	217	201
Insurance coverage (\$1,000) .	\$243	\$352	\$429	\$1,907	\$1,860
Number of indemnities	8	7	-	29	30
Premiums (\$1,000)	\$11	\$19	\$21	\$66	\$63
Indemnities (\$1,000)	\$11	\$12	-	\$44	\$69
Excess of premiums over indemnities (\$1,000) <u>a/</u> ...	-	\$7	\$21	\$22	-\$6
Loss ratio	1.03	.64	-	.68	1.10

S A F F L O W E R

Number of states	(No program until 1964)	1	1
Number of counties		2	2
Number of crops insured		35	36
Insurance coverage (\$1,000) .		\$14	\$4
Number of indemnities		22	7
Premiums (\$1,000)		\$2	\$1
Indemnities (\$1,000)		\$5	\$2
Excess of premiums over indemnities (\$1,000) <u>a/</u> ...		-\$3	-\$1
Loss ratio		3.02	4.58

S O Y B E A N

Number of states	14	14	24	24	24
Number of counties	227	323	370	436	450
Number of crops insured	30,683	38,599	48,537	60,029	63,268
Insurance coverage (\$1,000) .	\$12,373	\$19,077	\$31,676	\$45,499	\$53,051
Number of indemnities	1,366	2,468	4,015	8,986	8,914
Premiums (\$1,000)	\$803	\$1,197	\$2,274	\$3,229	\$3,567
Indemnities (\$1,000)	\$432	\$803	\$2,232	\$3,297	\$2,575
Excess of premiums over indemnities (\$1,000) <u>a/</u> ...	\$371	\$394	\$42	-\$68	\$992
Loss ratio .....	.54	.67	.98	1.02	.72

S U G A R B E E T

Number of states	(No program until 1965)	3
Number of counties		4
Number of crops insured		449
Insurance coverage (\$1,000) .		\$2,200
Number of indemnities		24
Premiums (\$1,000)		\$89
Indemnities (\$1,000)		\$25
Excess of premiums over indemnities (\$1,000) <u>a/</u> ...		\$64
Loss ratio .....		.28

T O B A C C O

<u>Item</u>	<u>C r o p Y e a r</u>				
	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Number of states	13	13	13	11	11
Number of counties	172	191	212	217	224
Number of crops insured	70,651	75,774	80,482	75,799	76,416
Insurance coverage (\$1,000) .	\$60,793	\$99,718	\$111,105	\$102,120	\$115,846
Number of indemnities	2,494	6,154	7,311	3,460	5,671
Premiums (\$1,000)	\$2,115	\$3,303	\$3,670	\$3,357	\$3,442
Indemnities (\$1,000)	\$612	\$2,617	\$2,281	\$1,064	\$2,049
Excess of premiums over indemnities (\$1,000) <u>a/</u> ...	\$1,503	\$686	\$1,389	\$2,293	\$1,393
Loss ratio .....	.29	.79	.62	.32	.60

T O M A T O

Number of states	(No program until 1963)	1	2	2
Number of counties		3	10	10
Number of crops insured		124	214	166
Insurance coverage (\$1,000) .		\$367	\$530	\$408
Number of indemnities		15	18	15
Premiums (\$1,000)		\$24	\$35	\$26
Indemnities (\$1,000)		\$10	\$8	\$11
Excess of premiums over indemnities (\$1,000) <u>a/</u> ...		\$14	\$27	\$15
Loss ratio .....		.41	.25	.40

T U N G N U T

Number of states	(No program until 1965)	1
Number of counties		1
Number of crops insured		47
Insurance coverage (\$1,000) .		\$123
Number of indemnities		10
Premiums (\$1,000)		\$25
Indemnities (\$1,000)		\$6
Excess of premiums over indemnities (\$1,000) <u>a/</u> ...		\$19
Loss ratio .....		.26

W H E A T

Number of states	26	26	25	24	24
Number of counties	492	534	572	597	627
Number of crops insured	100,193	100,327	103,248	103,080	98,833
Insurance coverage (\$1,000) .	\$93,287	\$83,932	\$117,088	\$132,902	\$155,868
Number of indemnities	17,012	6,553	13,477	9,338	17,835
Premiums (\$1,000)	\$8,419	\$7,292	\$8,621	\$10,305	\$11,585
Indemnities (\$1,000)	\$9,159	\$2,768	\$8,199	\$5,899	\$14,076
Excess of premiums over indemnities (\$1,000) <u>a/</u> ...	-\$740	\$4,524	\$422	\$4,406	\$2,491
Loss ratio	1.09	.38	.95	.57	1.22

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S U M M A R Y

<u>Item</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Number of states	38	38	38	36	37
Number of county programs ...	1,597	1,967	2,372	2,685	2,781
Number of crops insured	320,056	364,175	418,076	447,567	450,633
Insurance coverage (\$1,000) .	\$271,709	\$356,553	\$496,970	\$542,416	\$592,928
Number of indemnities	36,791	45,683	46,263	63,523	67,141
Premiums (\$1,000)	\$18,150	\$21,853	\$30,374	\$33,869	\$36,252
Indemnities (\$1,000)	\$16,092	\$24,022	\$23,586	\$30,381	\$34,415
Excess of premiums over indemnities (\$1,000) <u>a/</u> ...	\$2,058	-\$2,170	\$6,788	\$3,488	\$1,837
Loss ratio .....	.89	1.10	.78	.90	.95

a/ Excess of indemnities over premiums indicated by (-) minus sign.

COMMODITY CREDIT CORPORATION

Purpose Statement

Purpose.--The purposes of the Corporation are stated in its charter (15 U.S.C. 714-714p). They are to stabilize, support, and protect farm income and prices; help maintain balanced and adequate supplies of farm products, foods, feeds and fibers; and aid in their orderly distribution. It may also make available materials and facilities needed in the production and marketing of farm products.

Origin.--The Corporation was organized on October 17, 1933, under the laws of the State of Delaware, as an agency of the United States. It was then managed and operated in close connection with the Reconstruction Finance Corporation. On July 1, 1939, it was transferred to the Department of Agriculture by the President's Reorganization Plan 1. As of July 1, 1948, it was established as an agency of the United States under a permanent Federal charter by Public Law 80-806, as amended. Its operations are conducted pursuant to this charter and other specific laws.

Management.--The Corporation is managed by a Board of Directors. They are appointed by the President of the United States. Appointments are confirmed by the Senate. The Corporation is subject to the general supervision and direction of the Secretary of Agriculture. The Secretary is, ex officio, a director and chairman of the board. There is a bipartisan advisory board of five members. They are also appointed by the President. This group surveys the general policies of the Corporation and advises the Secretary.

The Corporation's activities are carried out by the Agricultural Stabilization and Conservation Service. Its personnel, facilities, ASC State and county committees are used as well as other USDA agencies. The General Services Administration helps in matters relating to strategic materials acquired through the barter program. The following are also used: (1) normal trade facilities to the maximum extent practicable, (2) local banks, cooperatives, and other financial institutions in lending operations, and (3) commercial facilities to a great extent to store loan collateral and stocks of the Corporation.

Operations.--The budget is based on (1) price support, export, supply, and related programs and (2) special activities.

Price support.--The Corporation uses loans, purchases, payments, and other means to support prices for farmers. This is done mainly under the Commodity Credit Corporation Charter Act (15 U.S.C. 714) and the Agricultural Act of 1949, as amended (7 U.S.C. 1421).

The 1949 act makes price support mandatory for the basic commodities. These are corn, cotton, wheat, rice, peanuts and tobacco. It also requires support of the following nonbasic commodities: tung nuts, honey, milk and butterfat and the products of milk and butterfat, barley, oats, rye and grain sorghums. The National Wool Act of 1954, as amended (7 U.S.C. 1781-1787; 79 Stat. 1188), requires price support for wool and mohair. Price support for other nonbasic commodities is discretionary. However, whenever the price of either cottonseed or soybeans is supported, the price of the other must be supported. Support

must be at such level as the Secretary determines will cause them to compete on equal terms in the market. The price support program may also include removal and disposal of surplus farm products. This helps to stabilize prices at levels not in excess of those allowed by law.

The main methods of price support are loans to and purchases from farmers. With limited exceptions, price-support loans are nonrecourse. The farm products serve as collateral for the loan. When the loan matures the farmer may deliver the collateral to discharge the loan without further payment.

Direct purchases of some products are made. Also, special purchases for the removal of surpluses are made under certain laws. An example is Section 308 of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1697). Section 308 provides for purchase of animal fats and edible oils and their products to maintain the support level for cottonseed and soybeans. The act of August 19, 1958, as amended (7 U.S.C. 1431 note) provides for the purchase of wheat flour, cornmeal, and processed food grain products. These are for domestic and foreign donation programs in lieu of processing wheat and corn. Section 416 of the Agricultural Act of 1949, as amended (7 U.S.C. 1431), provides that price supported products in private stocks may be made available for donation. This is done to prevent waste before they can be (1) disposed of in normal domestic channels without impairing the price support program, or (2) sold abroad at competitive world prices.

A portion of the price support on feed grains is made by negotiable payment-in-kind certificates. In the case of wheat, producers receive marketing certificates in addition to loans and purchases. In the case of cotton, payments are made in cash or in-kind.

Price support payments are made on wool and mohair under the National Wool Act.

Besides the Charter Act and laws mentioned above, many other laws are applicable to the disposal of products acquired under the price support program. The Agricultural Act of 1949, as amended, contains the most basic provisions in section 202 (7 U.S.C. 1446a), section 407 (7 U.S.C. 1427), and section 416. The Agricultural Trade Development and Assistance Act of 1954, as amended, provides for sales of surpluses for foreign currency. It also authorizes sales under long-term credit and supply contracts.

Donations of CCC stocks may be made for economic development and for assistance to needy people abroad. Title II of the Agricultural Act of 1956, as amended (7 U.S.C. 1856), covers disposal of strategic and other materials acquired by barter of agricultural commodities. Most of these laws also apply to the commodity export program, the foreign assistance programs and the special export programs discussed later.

Section 407 of the Agricultural Act of 1949, as amended (7 U.S.C. 1427), the act of September 30, 1950, as amended (42 U.S.C. 1855 a, b), and the act of September 21, 1959, as amended (7 U.S.C. 1427 note) are principal laws which relate to use of food or feed for emergency or disaster relief. Donations may be made for training courses in home economics (7 U.S.C. 1431 note) and in cotton textile processes (7 U.S.C. 1431a). Donations to Federal penal and correctional institutions and State correctional institutions for minors are authorized (7 U.S.C. 1859).

Commodity export.--The Corporation promotes the export of farm products through sales, barters, payments, and other operations. Except for barters for stockpiling purposes, such products may be from private as well as Corporation stocks. This program is carried out under the Corporation's charter, particularly sections 5(d) and 5(f), and in accordance with specific statutes, such as sections 407 and 416 of the Agricultural Act of 1949, as amended (7 U.S.C. 1641), the Agricultural Trade Development and Assistance Act of 1954, title II of the Agricultural Act of 1956, as amended, and section 9 of the act of September 6, 1958. Export sales for foreign currencies are made under the Agricultural Trade Development and Assistance Act of 1954, as amended, although such sales of Corporation stocks may also be made under its charter authority.

With respect to barter, the emphasis has been shifted to exports in connection with various types of off-shore procurement of materials and services needed by the Department of Defense, the Agency for International Development, and other Federal agencies. They pay the Corporation for the material and services. Barters are also made for strategic and other materials for the supplemental stockpile.

To encourage exports from free-market supplies, payments are made on wheat, wheat flour, cotton, corn, grain sorghums, barley, oats, rye, rice, flaxseed, linseed oil, butter, nonfat dry milk, milkfat, and cheese. The rate of payment generally is the difference between the world sales price and the domestic market price. Most payments are in the form of payment-in-kind certificates (PIK) which are redeemed by the Corporation from its stocks. Stocks are acquired from the Corporation subject to an obligation to export them. PIK certificates may be issued for some processed food grains purchased for U.S. and foreign donation. In certain cases, costs of processing CCC stocks for such use are also paid with PIK certificates. If commodities obtained with PIK certificates are shipped under titles I and IV of the Agricultural Trade Development and Assistance Act of 1954, as amended, or the International Wheat Agreement, the investment value of the commodities delivered under the certificate is charged to the applicable program.

To help develop or expand foreign markets, the Corporation furnishes farm products for samples or exhibits at international trade fairs. It also donates goods for use abroad in testing consumer acceptance and commercial market potentials.

To maximize exports of CCC stocks, sales are made for dollars to U. S. exporters, with payment being deferred. Deferments are for periods of not to exceed 36 months and require an interest payment on the balance. These deferred payment sales are made under the Corporation's charter authority. They are different from the long-term credit and supply contracts authorized by title IV of the Agricultural Trade Development and Assistance Act of 1954, as amended, which is described under "Foreign Assistance Programs" in this volume of Explanatory Notes.

Storage facilities.--The Corporation conducts a storage program to fulfill its needs. This program is conducted pursuant to sections 4(h) and (m), and 5 (a) and (b) of the Charter.

The Corporation buys and maintains (in storage-short areas) bins and equipment. It makes loans for the purchase, building, or expansion of storage facilities

on the farm. Bins are sold to farmers and others for grain storage. These bins include those acquired for the purpose of resale and those which are no longer required by the Corporation for its own grain storage. The Corporation may also provide storage use guarantees to: (1) encourage building of commercial storage and (2) provide for the safekeeping of the Corporation's commodities.

Supply and foreign purchase.--The Corporation procures from the U.S. and abroad food and other farm products and related materials to supply the needs of Federal agencies, foreign governments, and private and international relief agencies. It also buys or helps to buy food and other farm products and material for sale to meet U.S. requirements during periods of short supply or when it is necessary to stabilize prices or aid distribution. Through purchases, loans, sales, or other means, the Corporation may also make available materials and facilities needed for the production and marketing of farm products. This program is conducted under sections 5(b) and (c) of the Commodity Credit Corporation Charter Act.

The main activity under this program has been purchases of commodities (not in the Corporation's stocks) for other Federal agencies. Purchases of limited quantities of breeder foundation stock and registered seeds of improved varieties of grasses and legumes are made by the Corporation in cooperation with the Agricultural Research Service. Purchases are made through production contracts in order to assure supplies thereof for farmers. No foreign purchases have been made in recent past years.

Feed grain acreage diversion program.--An acreage diversion program is conducted on 1965 and 1966 crops of feed grains by the Agricultural Stabilization and Conservation Service utilizing the facilities and stocks of the Corporation. Under this program, payments are made to farmers who divert acreage from the production of feed grains (generally corn, grain sorghum, and barley) to an approved conservation use. This program is carried out under the Soil Conservation and Domestic Allotment Act, as amended by the Feed Grain Act of 1963 (Public Law 88-26, approved May 20, 1963), and the Food and Agriculture Act of 1965 (Public Law 89-321, approved November 3, 1965).

Payments are made by the issuance of negotiable payment-in-kind certificates. The farmer may elect either to have the certificate redeemed in feed grains from the Corporation's stocks or if he requests the Corporation's assistance in the marketing of the certificate he may obtain cash by issuance by the Corporation of a negotiable sight draft. The Corporation markets rights, represented by certificates on which it has made cash advances, to buyers for redemption in feed grains from its stocks.

Wheat acreage diversion and certificate programs.--A wheat acreage diversion program and a wheat certificate program for 1965 and 1966 crops are conducted by the Agricultural Stabilization and Conservation Service utilizing the funds and facilities of the Corporation. These programs are authorized by the Agricultural Adjustment Act of 1938, as amended by the Food and Agriculture Act of 1962, the Agricultural Act of 1964, and the Food and Agriculture Act of 1965.

Acreage diversion payments in the form of negotiable sight drafts are made to farmers who divert certain acres from wheat production to an approved conservation use.

Under the voluntary wheat certificate program, marketing certificates are issued to participating farmers which may be sold at face value to Commodity Credit Corporation. Processors of wheat are required to buy domestic certificates equivalent to the number of bushels of wheat used in the manufacture of the food product. During the 1965 marketing year processors will purchase domestic certificates at face value and during the 1966 marketing year they will purchase domestic certificates at face value less the amount by which price support for wheat accompanied by domestic certificates exceeds \$2.00 a bushel. This results in the Corporation paying the difference.

Exporters may not ship abroad any wheat without buying export marketing certificates equivalent to the number of bushels exported. In the 1965 marketing year export certificates will be purchased at a fixed value with the Corporation making a refund to the exporter to the extent necessary to make U.S. wheat and flour competitive in the world market, avoid disruption of world market prices and fulfill the international obligations of the United States. In the 1966 marketing year, this will be accomplished by having export certificates of variable value.

Cotton equalization payment program.--The Corporation makes payments to cotton handlers (other than producers) to equalize the cost of raw cotton between domestic and foreign users for the period ending July 31, 1966. Inventory payments will be made on eligible cotton remaining in handlers' inventories on August 1, 1966. This program is carried out by the Corporation pursuant to the Agricultural Adjustment Act of 1938, as amended by the Agricultural Act of 1964. No equalization payments will be made in fiscal year 1967, since they were eliminated by the Food and Agriculture Act of 1965.

Payments are in the form of negotiable certificates issued by the Corporation. The handler or user may elect either to have them redeemed for upland cotton from the Corporation's stocks, to repay cotton loans, or get cash by having the Corporation assist in marketing the certificates. In the latter case, the Corporation markets the rights represented by the certificates in the same manner as it does feed grain certificates.

Cotton acreage diversion program.--Diversion payments will be made to producers, based on their participation in acreage reduction provisions beginning with the 1966 crop. Payments will be made in cash or payment-in-kind by the issuance of certificates which CCC shall redeem for cotton. CCC may assist the producers in the marketing of certificates. The program is authorized by the Food and Agriculture Act of 1965.

Special activities.--These activities are carried out under authority of section 5(g) of the Corporation's charter and other specific laws.

The Corporation receives appropriations or reimbursement for costs of these activities as described under each.

To the extent appropriations are not made on a current basis, costs are borne by the Corporation for: (a) Titles I, II, and IV of the Agricultural Trade Development and Assistance Act of 1954, as amended, (b) the International Wheat Agreement, and (c) investments in materials transferred to the supplemental stockpile. However, the Corporation is repaid from later appropriations. These programs are further described under foreign assistance and special export.

Activities currently being carried out are as follows: (See Foreign assistance programs and special export programs in this Volume of Explanatory Notes for details of items (1) - (5).) Details of the other items may be found in the budgets of the other agencies which request appropriations to reimburse the Corporation.

- (1) Sale of surplus agricultural commodities for foreign currencies.
- (2) Commodities disposed of for emergency famine relief to friendly peoples.
- (3) Long-term credit and supply contracts.
- (4) International Wheat Agreement.
- (5) Bartered materials for supplemental stockpile.

(6) Military housing (barter and exchange).--During 1957, a contract was completed for the disposition of Corporation-owned commodities valued at \$50 million for the construction of military housing in France with foreign currencies obtained from this transaction. Section 2681(b) of title 10 U.S.C., as amended, provides for annual payment to the Corporation by the Department of Defense until liquidation of the amounts due for foreign currencies obtained under Public Law 480 for military housing. It is estimated that \$2 million will be applied against the amounts due under the French housing transaction in each of 1966 and 1967.

(7) National Wool Act.--Under the National Wool Act of 1954, as amended by the Food and Agriculture Act of 1965, wool prices are to be supported through December 31, 1969. This will be done by making incentive payments on wool to encourage United States production of shorn wool. Support of wool prices is provided in order to bring the national average price received by all producers up to the announced incentive level.

The incentive level under the new legislation is determined for the 1966 and subsequent marketing years by computing the ratio of (1) the average parity index for the three years immediately preceding the year in which the level is determined, and (2) the average parity index for 1958, 1959, and 1960. That ratio is multiplied by 62 cents. For the 1966 marketing year, the new formula results in an incentive level of 65 cents a pound compared to the 62 cent level prevailing since 1955. If production costs continue to increase, a further moderate increase in the support level can be expected for subsequent marketing years. For the purpose of reimbursing the Corporation, section 705 of the Act appropriates funds each fiscal year. The appropriation is an amount equal to amounts expended by the Corporation during the preceding year. However, the appropriation may not exceed 70 percent of the gross receipts of duties on wool and certain wool products imported during the preceding calendar year.

From the beginning of the program in 1955 there has been a promotional and advertising program financed by deductions (at the rate of 1 cent a pound of wool and 5 cents per hundredweight of unshorn lambs marketed) from payments made to producers under the National Wool Act. This work is done by the American Sheep Producers' Council, Inc., under an agreement with the Secretary of Agriculture. In order to simplify program and financing operations, the marketing year under this program was placed on a calendar year basis on

January 1, 1964. This program will continue if producers indicate their approval in a referendum to be held during calendar year 1966.

Mohair is supported by payments similar to those on shorn wool. The support level may not be more than 15 percent below nor 15 percent above the comparable level at which shorn wool is supported. Over the years the support level for mohair has been established near the legal minimum and has been set at 75.8 cents a pound for the 1966 marketing year. Except for two years, 1962 and 1965, no payments have been required on mohair because the prices received by producers exceeded the support level.

Total payments made under the National Wool Act cannot at any time exceed an amount equal to 70 percent of the accumulated totals, as of the same date, of the gross receipts from import duties collected on and after January 1, 1953, on wool and wool manufactures.

(8) Grain for migratory waterfowl feed.--To prevent damage of crops by migratory waterfowl, the Corporation is directed to furnish grain to the Secretary of the Interior (7 U.S.C. 442-445). This is grain acquired through price-support operations. It is certified by Commodity Credit Corporation as available for such purposes or in such condition as to be undesirable for human consumption. The appropriation item to pay CCC for this program is included under the Department of the Interior.

(9) Surplus grain for migratory birds.--Under Public Law 87-152, approved August 17, 1961 (7 U.S.C. 448), the Secretary of the Interior may requisition grain of the Corporation to feed starving migratory birds. This appropriation item is included under that Department.

(10) Surplus grain for resident game birds.--Any State, under Public Law 87-152, upon the finding of the Secretary of the Interior that resident game birds and other resident wildlife are threatened with starvation, may requisition grain from Corporation stocks (7 U.S.C. 447). Recovery of costs of grain furnished to the States is included in the appropriation Reimbursement for net realized losses under price support and related programs.

(11) Grading and classing activities.--The Corporation may make advances to the Consumer and Marketing Service for classing and grading of agricultural commodities without charge to producers (7 U.S.C. 414a, 440). Such advances used for classing cotton and grading tobacco not placed under price-support loan are repaid from an appropriation of the Consumer and Marketing Service.

(12) Research to increase domestic consumption of farm commodities.--The Department of Agriculture and Related Agencies Appropriation Act of 1964, Public Law 88-250, authorized the transfer of not more than \$16 million from the appropriation, Removal of surplus agricultural commodities (sec. 32) to the Corporation. These funds are to increase domestic consumption of surplus farm products. The Act also provided for further transfers not in excess of \$25 million in any one year, as may be approved by Congress. The 1965 appropriation act authorized the transfer of \$12,175,000 of section 32 funds for this purpose. The Corporation transfers such funds to the Agricultural Research Service and Cooperative State Research Service to conduct the required research and for constructing and equipping research facilities.

(13) Research to reduce surplus commodities.--The Department of Agriculture and Related Agencies Appropriation Act of 1964 authorized CCC to transfer not to exceed \$15 million to the Agricultural Research Service. These funds are for utilization research and development, cost of production research, including the planning and construction of research facilities. This research is designed to reduce CCC surplus stocks. The recovery of costs of this research is included in the appropriation Reimbursement for net realized losses.

(14) Soil bank program.--Under section 120 of the Agricultural Act of 1956 (7 U.S.C. 1808) the Secretary of Agriculture uses the facilities of the Corporation to make payments to farmers under this program.

(15) Cropland conversion, agricultural conservation and emergency conservation measures programs.--Under section 101 of the Food and Agriculture Act of 1962, Public Law 87-703, approved September 27, 1962 (16 U.S.C. 590h(f)), the Secretary uses the services, facilities, and authorities of the Corporation to make payments to farmers under these programs.

(16) Transfer of long-staple cotton from national stockpile for sale by Commodity Credit Corporation.--The act of July 10, 1957 (71 Stat. 290), authorized the transfer of 50,000 bales of domestically grown cotton from the national stockpile to the Corporation for sale. Also, about 219,000 bales of cotton, both American-Egyptian and foreign grown, remaining in the stockpile were made available to the Corporation for disposition under Public Law 87-548, approved July 25, 1962. The cotton is not recorded as a Corporation asset. Proceeds, less administrative and other costs, are returned to the General Fund of the Treasury from time to time.

(17) Loans for agricultural conservation.--Under section 391(c) of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1391), the Corporation advances funds to the Secretary. Advances are made in amounts not to exceed \$50 million per year. These funds are used to purchase conservation materials and services. Loans plus interest are repaid in the next fiscal year. Advances are repaid from appropriations for the agricultural conservation program.

(18) Loans for crop insurance.--The 1966 Appropriation Act permits the Federal Crop Insurance Corporation to borrow on a temporary basis not to exceed \$250,000 from the Corporation to meet indemnity payments under special or unusual circumstances.

(19) Cropland adjustment program.--Under section 602 of the Food and Agriculture Act of 1965, Public Law 89-321, approved November 3, 1965, the Secretary uses the facilities and funds of the Corporation. After December 31, 1966, expenditures may not be made unless CCC has received funds in advance to cover such expenditures.

(20) Sugar payments.--Under Sec. 12 of the Sugar Act Amendments of 1965, Public Law 89-331, approved November 8, 1965, the Secretary is authorized to use the services, facilities and authorities of the Corporation for the purpose of making disbursements. No such disbursements shall be made unless funds have been received in advance.

Administrative expenses.--Administrative expenses are for the operating staff and the services of employees of the Agricultural Stabilization and Conservation Service engaged in the Corporation's activities. They include services

performed by the Foreign Agricultural Service and other agencies of the Department, also costs of audit by the General Accounting Office. Payments are made to the General Services Administration for space.

The requested authorization excludes administrative expenses in connection with the supply and foreign purchase program, National Wool Act program, the International Wheat Agreement, and the sale of long-staple cotton from the national stockpile, and are included with the cost of those programs under "Special activities."

Nonadministrative expense.--Most nonadministrative expense, including storage and handling, transportation, inspection, classing and grading, and resale payments are included in program costs. "Nonadministrative expense" covers State and county offices, other ASCS expenses offset by revenue, custodian and agency expense of the Federal Reserve banks and lending agencies and miscellaneous costs.

FINANCING

Borrowing authority.--The Corporation has an authorized capital stock of \$100 million held by the United States and authority to borrow up to \$14.5 billion.

Funds are borrowed from Treasury and may also be borrowed from private lending agencies. In connection with loan guarantees, the Corporation reserves a sufficient amount of its borrowing authority to purchase at any time all borrowings from private sources. All bonds, notes, debentures, and similar obligations issued by the Corporation are subject to approval by the Secretary of the Treasury as required by the act of March 8, 1938 (15 U.S.C. 713a-4).

Interest is paid on borrowings from the Treasury (and on capital stock). Interest is based on a policy of the Treasury that the rate shall be the average interest rate on all outstanding marketable obligations (comparable maturity date) of the United States as of the preceding month. Interest is also paid on borrowings from private sources.

The Department of Agriculture and Related Agencies Appropriation Act, 1966, made provision for terminating interest after June 30, 1964, on the portion of the Corporation's borrowings from the Treasury equal to the unreimbursed realized losses recorded on the books of the Corporation after June 30 of the fiscal year in which such losses are realized.

Reimbursement for net realized losses.--Under Public Law 87-155 (15 U.S.C. 713a-1, 12), annual appropriations are authorized for each fiscal year, commencing with the fiscal year ending June 30, 1961. These appropriations are to reimburse the Corporation for net realized losses incurred during such fiscal year as reflected in its accounts and shown in its report of financial condition as of the close of each fiscal year.

Available Funds 1965, and Estimated 1966 and 1967

Item	1965	Available 1966	Budget Estimate, 1967
Commodity Credit Corporation:			
Price support and related programs:			
Reimbursement for net realized losses ...	\$2,674,000,000	\$2,800,000,000	\$3,555,855,000
Reimbursement to CCC, National Wool Act .	87,769,762	22,577,216	37,373,059
Total, Commodity Credit Corporation :	2,761,769,762	2,822,577,216	3,593,228,059

(a) Reimbursement for Net Realized Losses, Commodity Credit Corporation

Appropriation Act, 1966 and base for 1967	\$2,800,000,000
Budget estimate, 1967 (balance of 1964 losses and 1965 losses adjusted for interest-free borrowings)	<u>3,555,855,000</u>
Increase	<u>+755,855,000</u>

SUMMARY OF INCREASES AND DECREASES

	1966 Available	Increase or Decrease	1967 Estimate
Reimbursement of losses:			
Balance of 1963	\$80,853,372	-\$80,853,372	- -
Balance of 1964	2,719,146,628	-2,211,312,372	\$507,834,256
1965 losses	- -	+3,048,020,744	3,048,020,744
Total available or estimate	<u>2,800,000,000</u>	<u>+755,855,000</u>	<u>3,555,855,000</u>

PROJECT STATEMENT

Project	1965	1966 (estimated)	Increase	1967 (estimated)
Reimbursement	:	:	:	:
for 1963, 1964	:	:	:	:
and 1965 net	:	:	:	:
realized losses	:	:	:	:
(Total appro-	:	:	:	:
priation or	:	:	:	:
estimate)	\$2,674,000,000	\$2,800,000,000	+\$755,855,000	\$3,555,855,000

The 1967 estimate of \$3,555,855,000 would reimburse the Commodity Credit Corporation for losses sustained in fiscal year 1965 (\$3,048,020,744) and the unreimbursed balance of fiscal year 1964 losses (\$507,834,256). The Act of March 8, 1938, as amended by Public Law 87-155, approved August 17, 1961, authorizes appropriations sufficient to reimburse the Corporation for its net realized losses.

Approval of this estimate would reimburse the Corporation for all of its losses through June 30, 1965, except for \$1,057 million, which is the unreimbursed balance of the inventory revaluation recorded as of June 30, 1961.

The increase of \$755,855,000 in the 1967 budget estimate compared with the 1966 appropriation consists of the following:

Item	1964	1965	Increase (+) or Decrease (-)
Price support, export, supply and related programs:			
Commodity inventory operations:			
Loss or gain (*) on sales....	\$34,341,276*	\$65,465,202	+\$99,806,478 (1)
Donations	638,034,751	374,081,842	:-263,952,909 (2)
Storage and handling expense	365,379,266	310,996,468	:-54,382,798 (3)
Transportation expense	178,065,616	120,600,005	:-57,465,611 (4)
Total, commodity inventory operations	1,147,138,357	871,143,517	:-275,994,840
Commodity export payments	212,017,776	98,698,991	:-113,318,785 (5)
Reseal storage payments	79,236,088	81,988,039	+2,751,951 (6)
Price support payments:			
Cotton	- -	51,214,908	+51,214,908
Feed grains	382,409,240	282,148,489	:-100,260,751
Wheat	79,169,092	19,455*	-79,188,547
Total, price support payments	461,578,332	333,343,942	:-128,234,390 (7)
Acreage diversion payments:			
1961 feed grain program ...	136,238*	22,055*	+114,183
1962 feed grain program ...	84,718*	5,736*	+78,982
1963 feed grain program ...	273,339,123	22,347*	:-273,361,470
1964 feed grain program ...	372,971,347	513,449,670	+140,478,323
1965 feed grain program ...	- -	400,705,323	+400,705,323
Total, feed grain program:	646,089,514	914,104,855	+268,015,341 (8)
1962 wheat program	14,578*	57,589	+72,167
1963 wheat program	114,635,772	58,424*	:-114,694,196
1964 wheat program	- -	32,537,862	+32,537,862
1965 wheat program	- -	2,988	+2,988
Total, wheat program	114,621,194	32,540,015	:-82,081,179 (9)
Cotton interim payments	62,609,966	25,364,137	:-37,245,829 (10)
Cotton equalization payments .	- -	409,604,844	+409,604,844 (11)
Wheat certificate operations (net)	- -	106,652,864*	:-106,652,864 (12)
Other program expense (net) ..	32,569,103	21,673,457	:-10,895,646 (13)
Interest (net)	412,141,735	a/303,653,367	:-108,488,368 (14)
Administrative and nonadministrative expense (net)	58,894,362	59,920,639	+1,026,277 (15)
Total, price support, export, supply and related programs	3,226,896,427	3,045,382,939	:-181,513,488

	:	:	:	: Increase (+) or	
	:	1964	:	1965	: Decrease (-)
Special milk program b/.....:	:	\$126,451*	:	\$67*:	+\$126,384
Subtotal realized losses ...:	:	3,226,769,976:	:	3,045,382,872	:-181,387,104
Losses transferred from	:	:	:	:	:
special activities:	:	:	:	:	:
Reimbursement for costs of	:	:	:	:	:
grain furnished States	:	:	:	:	:
for resident game birds	:	:	:	:	:
(P.L. 87-152)	:	210,908	:	12,697	:-198,211 (16)
Reimbursements for costs of	:	:	:	:	:
research (P.L. 88-250):	:	- -	:	2,625,175	:+2,625,175 (17)
Total, realized loss	:	3,226,980,884	:	3,048,020,744	:-178,960,140
Reimbursement for remainder	:	:	:	:	:
of 1963 losses	:	80,853,372	:	- -	:-80,853,372
Subtotal	:	3,307,834,256	:	3,048,020,744	:-259,813,512
Unreimbursed losses, 1964,	:	:	:	:	:
included in subsequent	:	:	:	:	:
appropriation	:	-507,834,256	:	- -	:+507,834,256
Reimbursement for balance	:	:	:	:	:
of 1964 losses included	:	:	:	:	:
in 1967 appropriation	:	:	:	:	:
estimate	:	- -	:	507,834,256	:+507,834,256
Total available or	:	:	:	:	:
estimate	:	2,800,000,000	:	3,555,855,000	:+755,855,000

* Denotes gain.

a/ Adjusted for interest-free borrowings as approved in 1966 Appropriation Act, Public Law 89-316, signed November 2, 1965.

b/ Prior year adjustment.

The above schedule reflects a reduction of \$178,962,349 in 1965 losses compared with 1964 as described below. However, the 1966 appropriation was \$507,834,256 less than 1964 losses and this amount is included in the 1967 estimate. The effect of including this amount results in a net increase of \$755,855,000 in the appropriation requested for 1967 compared with the 1966 appropriation.

(1) An increase of \$99,806,478 in the loss on sales. Sales operations in 1965 resulted in more losses as compared to 1964, primarily due to higher losses on wheat sales offset by a decrease in losses on cotton and dairy products.

(2) A decrease of \$263,952,909 in donations. Primarily due to decrease in donations of dairy products.

(3) A decrease of \$54,382,798 in storage and handling expense. The decrease in these costs was due to the reduction of commodity inventories held by CCC together with reduced cotton and grain storage rates.

(4) A decrease of \$57,465,611 in transportation costs. Lower sales and donations, principally wheat and products, feed grains and dairy products resulted in lower costs.

- (5) A decrease of \$113,318,785 in commodity export payments. Lower cotton costs resulting from shifting of costs from commodity export to equalization program and lower exports of wheat.
- (6) An increase of \$2,751,951 in reseal storage payments. Higher quantities of corn, grain sorghums, oats and soybeans were resealed. This was partially offset by lower quantities of wheat and barley.
- (7) A decrease of \$128,234,390 in price support payments. Price support payment rates on feed grains were lower on the 1964 crop than on the 1963 crop (-\$100.2 million). No price support payments were made on the 1964 wheat crop since marketing certificates were issued in lieu of such payments (-\$79.2 million). These reductions were partially offset by the initiation of price support payments to producers under the domestic allotment program for cotton (-\$51.2 million).
- (8) An increase of \$268,015,341 in total feed grain land diversion payments. An increase of \$140.5 million in the final payments on the 1964 program and an increase of \$400.7 million for advance payments on the 1965 program, offset by a decrease in 1961, 1962 and 1963 programs of \$273.2 million resulting from completion of payments on these programs.
- (9) A decrease of \$82,081,179 in wheat stabilization program payments. The 1962 and 1963 program payments were completed, accounting for a decrease of \$114.6 million. This was offset by an increase of \$32.5 million in payments for the 1964 and 1965 programs.
- (10) A decrease of \$37,245,829 in interim cotton payments. Due to completion of payments on this program in 1965, the costs for that year were less than half those for 1964.
- (11) An increase of \$409,604,844 in cotton equalization payments. Represents payments to domestic users of cotton under cotton equalization program.
- (12) A decrease of \$106,652,864 resulting from wheat certificate operations. Net proceeds from certificate operations. (These are more than offset by (1) export subsidy payments and (2) the value of marketing certificates reflected in the price CCC pays for wheat products.)
- (13) A decrease of \$10,895,646 in other program expense. Due to decreases in loans transferred to accounts receivable and loans charged off for peanuts and tobacco.
- (14) A decrease of \$108,488,368 in interest expense. The decreased interest expense is due primarily to adjustment for interest-free borrowings partly offset by higher interest costs on remaining borrowings due to higher rates.
- (15) An increase of \$1,026,277 in administrative and nonadministrative expense. Due to increased costs for State and county offices based on increased workload and pay costs, offset by decreased costs of administrative expense in commodity offices due to increased efficiency and decreased program volume.

(16) A decrease of \$198,211 in reimbursement for costs of grain furnished States for starving resident game birds. Through fiscal year 1964, grain valued at \$210,908 was furnished States. This amount was included in the 1966 appropriation. The costs of grain furnished the States in 1965 was \$12,697, and this amount is included in the 1967 request.

(17) An increase of \$2,625,175 in reimbursement for costs of research. This represents funds transferred to the Agricultural Research Service for construction of research facilities authorized in the 1964 Appropriation Act.

STATUS OF PROGRAM

Basic Assumptions

The following general assumptions form the basis for the Corporation's 1966 and 1967 budget estimates:

- (a) The general level of prices will be the same as the present level;
- (b) Generally, exports of agricultural commodities in the fiscal year 1967 will increase slightly over 1966 levels;
- (c) Yields for the 1966 crops are based on recent averages adjusted for trend;
- (d) Acreage allotments and marketing quotas will be in effect for the 1966 crops of peanuts, rice, cotton and certain kinds of tobacco (flue-cured tobacco will be on an acreage-poundage program). The 1966 wheat allotment will be one that provides for the production of 1 billion bushels of wheat as stated in the Food and Agriculture Act of 1965; and
- (e) Special programs for cotton, feed grains and wheat will be continued.

It should be recognized that it is difficult to forecast with any degree of accuracy requirements for the year ending June 30, 1966. Many complex and unpredictable factors are involved. Some of the major ones are weather and all other factors which affect the volume of production of crops not yet planted in this country and abroad. Economic conditions generally, and feed and food needs here and overseas are others which could materially affect the estimates.

Description of Operations

Following are descriptions of the operations of the Commodity Credit Corporation. These include price support, commodity export, storage facilities, supply and foreign purchase, the feed grain program, the wheat stabilization program, and other special activities financed by Commodity Credit Corporation, as well as other items of income and expense.

Departmental tables reflect by commodity the factors of production, supply, utilization, prices, etc., which form the basis of the estimates. Additional elements included are the actual and anticipated volume of commodities under support, purchases, loans made and repaid, acquisitions, dispositions, end-of-year investment, carrying charges, expenditures and receipts, and gain or loss.

The tables also reflect a summary of operations for other programs of the Commodity Credit Corporation. These include the Commodity Export Program, the Storage Facilities Program, the Supply and Foreign Purchase Program, the Feed Grain Program, the Wheat Stabilization and Diversion Program, and the Cotton Equalization and Diversion Programs as well as other items of income and expense.

I. PRICE SUPPORT PROGRAM

A. Summary of Price Support Operations (millions)

Activity	1965 Actual	1966 Estimate	1967 Estimate
Price Support Program:			
Loan Activity:			
Loans outstanding at beginning of year	\$2,759.6	\$2,494.4	\$2,669.5
Loans made	2,134.9	2,483.7	1,638.5
Loans repaid	1,015.5	980.7	1,151.2
Collateral acquired (including write- offs), etc.	1,384.6	1,327.9	1,398.8
Loans outstanding at end of year ...	2,494.4	2,669.5	1,758.0
Inventory Activity:			
Inventory at beginning of year	4,338.3	3,892.3	3,695.4
Purchases	583.4	580.7	567.4
Collateral acquired & settlements, etc.	1,422.1	1,356.1	1,421.6
Processing charges	4.6	6.1	6.2
Storage and handling (including depreciation)	(311.0)	(249.6)	(249.1)
Transportation	(120.6)	(91.9)	(76.3)
Transfers (net)	31.6	32.0	40.0
Sales of commodities (cost)	2,113.6	1,894.0	1,820.2
Donations	374.1	277.8	302.5
Rounding	-	-	-.1
Inventory at end of year	3,892.3	3,695.4	3,607.8
Price support payments (details following)	333.3	470.2	1,191.0
Cotton equalization payments	409.6	330.6	-
Cotton interim payments	25.4	-	-
Realized loss	1,303.3	1,150.5	2,062.0
Investment in price support	6,386.6	6,364.9	5,365.7
Net expenditures	581.9	1,118.7	1,052.9

B. Price Support Payments - Feed Grains and Wheat
(Millions, except yield and payment rates)

Commodity and Crop Year	Base Acreage on Partici- pating Farms	Diversion	Acreage Planted for Harvest a/	Normal Yield b/	Normal Produc- tion	Payment Rate		Total Payments
						Bu.	Acre	
1963 Crop (1964 F.Y.):								
Feed grains:								
Corn	49.4	17.2	29.0	58.3	1,691	\$0.18	\$10.49	\$304.4
Grain sorghum	14.6	4.6	8.3	44.5	369	.16	7.16	59.0
Barley	8.6	2.7	4.4	30.9	136	.14	4.32	19.0
Total feed grains ..	72.6	24.5	41.7	xxx	2,196	xxx	9.17	382.4
Wheat	25.0	7.2	17.6	24.9	440	.18	4.49	79.2
1964 Crop (1965 F.Y.):								
Feed grains:								
Corn	49.3	22.2	24.4	61.3	1,490	.15	9.18	223.5
Grain sorghum	15.5	6.5	7.3	47.9	350	.13	6.21	45.5
Barley	8.8	3.7	3.5	30.9	108	.12	3.71	13.0
Total feed grains ..	73.6	32.4	35.2	xxx	1,948	xxx	8.02	282.0
1965 Crop (1966 F.Y.) (Est.):								
Feed grains:								
Corn	54.3	24.2	27.7	58.0	1,607	.20	11.60	321.0
Grain sorghum	17.3	6.9	8.8	41.2	363	.20	8.24	73.0
Barley	10.4	3.5	3.5	31.8	111	.16	5.09	18.0
Total feed grains ..	82.0	34.6	40.0	xxx	2,081	xxx	10.14	412.0
1966 Crop (1967 F.Y.) (Est.):								
Feed grains:				Projected Yield				
Corn	53.0	22.0	25.5	72.0	1,836	.30	21.60	551.0
Grain sorghum	16.0	6.0	7.8	46.0	359	.297	13.80	108.0
Barley	9.0	3.0	3.8	39.0	148	.20	7.80	36.0
Total feed grains ..	78.0	31.0	37.1	xxx	2,343	xxx	14.40	695.0

(Footnotes on following page)

a/ Allowance made for underplanting in estimate years based on percent of permitted acreage underplanted in previous years under special programs (million acres):

<u>1963 Crop</u>	<u>1964 Crop</u>	<u>1965 Crop</u>
Corn - 3.2	Corn - 2.2	Corn - 2.4
Sorghums - 1.7	Sorghums - 1.3	Sorghums - 1.6
Barley - 1.5	Barley - 1.0	Barley - .9
Wheat - .2		

In addition to underplanting, a deduction was made for 2.5 million acres of barley shifted to wheat under the substitution privilege for the 1965 crop and 1.0 million for the 1966 crop. No price-support payments will be made on this acreage.

b/ Normal Yield: 1963 crop based on adjusted 1959-60 average
1964 crop based on adjusted 1959-62 average
1965 crop based on adjusted 1959-63 average

NOTE: 1966 crop based on projected yield.

C. Description of Current Programs

1. Objective.--To support the price of specified agricultural commodities as required.

2. Authority.--Price support activities are carried out under the provisions of the Charter Act and other legislative authority.

3. Operations.--Price-support operations are carried out by means of loans, purchases, payments, sales and donations.

a. Loans.--Price support loans are available on all supported commodities except (1) Dairy products
(2) Wool and mohair
(3) Cottonseed

Loans are nonrecourse. The commodities are pledged for security of the loan. The farmer may repay the loan, with interest, at any time prior to the maturity date. If the loan is not repaid, the commodities are acquired by CCC and placed in its inventory.

In the case of tobacco, loans are made through producer associations. The tobacco usually remains in loan status until disposed of by the association.

Loans for naval stores and peanuts are also usually handled by producer associations.

Cotton marketing cooperative associations usually obtain loans at the same rates and in much the same manner as lending agencies.

Reseals.--A reseal loan program is authorized for the following commodities and crops:

Corn: 1961, 1962, 1963 and 1964 crops.

Wheat: 1962, 1963 and 1964 crops.

Grain sorghum: 1962, 1963 and 1964 crops.

Barley: 1963 and 1964 crops.

Oats: 1963 and 1964 crops.

Storage payments are made on farm-stored commodities which are resealed for a period of one year or more in accordance with regulations prescribed by the Board of Directors of the Commodity Credit Corporation.

b. Purchases from producers.--The Corporation is required to purchase the quantity of each eligible commodity if the farmer elects to sell. These commodities include corn, wheat, barley, oats, grain sorghum, rye, rice, soybeans, flaxseed and dry edible beans.

c. Direct purchases.--CCC buys:

- (1) Dairy products from processors and handlers;
- (2) Cottonseed and cottonseed oil from ginner and producers;
- (3) Flaxseed from producers in designated Texas counties; and
- (4) Cornmeal, wheat flour, bulgur, rolled wheat, processed food grains, milk, rice and vegetable oils on the open market for donation.

d. Price support payments.--

(1) Feed grains.--Price support payments are made to eligible producers of specified feed grains based on the normal yield for the farm. For the 1965 crop, payments will be made as follows:

Corn - 20 cents per bushel

Grain sorghum - 35 cents per cwt. (20 cents per bushel)

Barley - 16 cents per bushel.

(2) Cotton.--Price support payments are made to producers who plant within their domestic allotments (or 15 acres or less). Eligible producers are paid on the normal production from acreage planted for harvest. For the 1965 crop, payments will be made at the rate of 4.35 cents per pound.

Payments are made by (1) issuing negotiable payment-in-kind certificates, or (2) making cash advances, in lieu of certificates, for which the Corporation markets the certificate rights. The certificates are placed in a pool from which sales are made. For feed grains, all payments are in-kind.

Upland Cotton - Price Support Payments

(millions of dollars)

Item	Fiscal Years			Total (Crop Year)
	1965	1966	1967	
Producer price support payments: ^{a/}				
1964 crop	\$39.4	--	--	\$39.4
1965 crop	11.8	\$58.2	--	70.0
1966 crop	--	--	\$496.0	496.0
Total, fiscal year	51.2	58.2	496.0	605.4

^{a/} Producers who comply with their domestic allotments receive an additional price support payment on the normal production from acreage planted for harvest at the following rates: 1964 crop - 3.5¢ per lb. (\$17.50 per bale); 1965 crop - 4.35¢ per lb. (\$21.75 per bale); 1966 crop - 9.42¢ per lb. (\$47.10 per bale).

4. Eligibility.--A farmer, to be eligible to participate in the price-support program must comply with provisions (1) as authorized by law, (2) as approved by the Board of Directors of the Corporation and (3) the regulations prescribed by the Secretary. Commodities grown on Federally-owned land in violation of restrictive leases are not eligible for price support. All commodities must meet specific standards as set forth in the regulations.

D. Disposition of Price-Support Commodities

1. Objective.--To aid in the removal and disposal of surplus agricultural commodities, aid in the development of foreign markets for agricultural commodities, and provide commodities for donation for foreign and domestic relief.

2. Authority.--The following authorities provide the basis for disposition of price-support inventories:

- a. Section 407 of the Act of September 1, 1954, as amended (5 U.S.C. 1712-1),
- b. Public Law 480, as amended,
- c. The International Wheat Agreement,
- d. Barter of agricultural commodities (Title II of the Agricultural Act of 1956, as amended (7 U.S.C. 1856)
- e. Grain for migratory waterfowl feed (P.L. 84-654) and resident game birds (P.L. 87-152),
- f. Disaster livestock feed program (P.L. 86-299 and 87-127),
- g. Donations--Sec. 202, 210, 407 and 416 of the Agricultural Act of 1949, Sec. 308 of the Agricultural Trade Development and Assistance Act of 1954 and Section 9 of the Act of September 6, 1938,
- h. Payment-in-kind - domestic, P.L. 87-5, Sec. 124 and 133 of the Agricultural Act of 1961, the Agricultural Act of 1964,
- i. The Agricultural Act of 1965, P.L. 89-321
- j. Exports - CCC Charter Act,
- k. Sec. 32 of P.L. 74-320,
- l. Sec. 203 of the Agricultural Act of 1956, as amended (7 U.S.C. 1853), and
- m. Mutual Security Act of 1954, as amended, Sec. 402 (22 U.S.C. 1922).

3. Operations.--Sales and donations of price-support inventories are made to the maximum extent possible without disrupting normal channels of trade. Sales are made to aid in the development of foreign markets. Donations are made for domestic needs and to foreign governments and foreign relief and rehabilitation agencies.

a. Sales for dollars - domestic.--Sec. 407 of the Agricultural Act of 1949 provides that CCC shall not in general sell any basic or nonbasic commodity in the domestic market at less than 5 percent above the current support price for the commodity, plus reasonable carrying charges. Feed grains are sold at the higher of market or the loan rate, plus reasonable carrying charges.

During fiscal year 1965, domestic dollar sales amounted to 15.9 percent of all CCC dispositions (cost value).

	1965 <u>actual</u>	1966 <u>estimate</u> (millions)	1967 <u>estimate</u>
Cost value	\$396.1	\$108.0	\$170.0
Proceeds	352.8	88.0	133.1

b. Sales for dollars - export.--Commercial export sales from CCC inventories are not subject to price restrictions, as is the case with domestic sales. To enable U.S. products to compete with foreign grown products in the market, commodities are sold at the world price and the exporter receives a cash or payment-in-kind in the form of commodities equal to approximately the difference between the U.S. price and the world price. Under the Charter Act, CCC sells some of its commodities on credit for periods up to 3 years.

During 1965, export sales for dollars amounted to 12.8 percent of all CCC dispositions (cost value).

	1965 <u>actual</u>	1966 <u>estimate</u> (millions)	1967 <u>estimate</u>
Cost value	\$318.2	\$459.2	\$311.2
Proceeds	275.6	377.9	268.0

c. Public Law 480 (Export).--CCC commodities were furnished pursuant to Public Law 480. Further details are contained under "Foreign Assistance Programs" in this volume of Explanatory Notes.

Section 203 of the Agricultural Act of 1956, as amended, directs CCC to make cotton available at competitive world prices.

During fiscal year 1965, sales from CCC stocks represented 7.4 percent of total sales (cost value).

	1965 <u>actual</u>	1966 <u>estimate</u> (millions)	1967 <u>estimate</u>
Public Law 480 (Export) (Transfers to special activities)			
Title I:			
Cost value	\$107.9	\$184.7	\$178.9
Proceeds credited to price-support program	162.4	284.3	211.3
Title II:			
Cost value	62.0	128.1	129.3
Proceeds credited to price-support program	81.8	189.3	177.6
Title IV:			
Cost value	13.5	52.1	18.9
Proceeds credited to price-support program	19.5	75.6	28.2
Total, Public Law 480:			
Cost value	183.4	364.9	327.1
Proceeds credited to price-support program	263.7	549.2	417.1

d. International Wheat Agreement.--Authorizes furnishing of wheat to importing countries at stable and equitable prices. (See "Special Export Programs" in this volume of Explanatory Notes)

	1965 <u>actual</u>	1966 <u>estimate</u> (millions)	1967 <u>estimate</u>
International Wheat Agreement (Transfers to Special Activities)			
Cost value	\$32.0	\$71.1	\$2.6
Proceeds credited to price-support program	28.1	63.0	2.0

e. Feed for migratory waterfowl and resident game birds.--CCC commodities are furnished to the Department of the Interior and the States for the feeding of migratory waterfowl and resident and migratory game birds. Further details are contained in the Purpose Statement of these Explanatory Notes.

	1965 <u>actual</u>	1966 <u>estimate</u> (millions)	1967 <u>estimate</u>
Feed for waterfowl and game birds:			
Cost value	\$.037	\$.040	\$.040
Proceeds credited to price-support program .....	.063	.055	.055

f. Barter (Export).--The CCC Charter Act contains broad authority for the barter of agricultural commodities for strategic and critical materials produced abroad. The Agricultural Acts of 1949, 1954, and 1956, and Public Law 480, Title III, as amended, contain other specific authorities.

There are two benefits which accrue from barter transactions: (1) protect and strengthen the U.S. balance-of-payments and (2) increase the use of agricultural commodities for stockpiling and defense needs. Since 1963, the emphasis has been shifted from barter for strategic materials to barter for goods and services for other Agencies and Departments of the Government. These Agencies reimburse CCC from appropriated funds for the costs of commodities bartered.

Barter transactions are carried on through regular channels of trade. All commodities must be exported to friendly countries.

Sec. 407 of Public Law 765, 83d Congress, as amended (5 U.S.C. 1712-1), authorized the use of foreign currencies received from the sale of CCC stocks to build military housing abroad. This is further described under "Special Activities."

	1965 <u>actual</u>	1966 <u>estimate</u> (millions)	1967 <u>estimate</u>
Barter (Export):			
Agricultural commodities delivered:			
Cost value	\$136.5	\$145.2	\$141.5
Proceeds credited to price-support program	117.3	124.0	117.9
Strategic and critical materials:			
Acquired:			
Transferred to supplemental stockpile:			
Cost value	39.2	32.7	40.0
Proceeds credited to price-support program (gross) .	40.6	33.8	41.1
Offshore procurement:			
Proceeds from other Government agencies included in agricultural commodities delivered	96.7	110.4	97.0

g. Payment-in-kind (Export).--To make it possible for U.S. exporters to compete in the highly competitive foreign markets and to move additional quantities of commodities, CCC makes export payments. These payments are either in cash or in-kind and cover the difference between the U.S. price and the world price.

The payment-in-kind program has two aims:

- (1) To stimulate the sale of commercial stocks, and
- (2) To provide an outlet for CCC-owned stocks.

Payment-in-kind certificates are redeemable in any CCC-owned commodity, including tobacco under loan, which is offered for sale by CCC.

	1965 <u>actual</u>	1966 <u>estimate</u> (millions)	1967 <u>estimate</u>
Payment-in-kind (Export)			
Cotton exports:			
Cost value	\$.062	-	-
Proceeds .....	.044	-	-
Other exports:			
Cost value	141.9	\$169.3	\$173.7
Proceeds	135.0	157.7	140.6

h. Payment-in-kind (Domestic).--The Corporation issues negotiable payment-in-kind certificates to producers as payment for acreage reduction and for price-support payments. All payment-in-kind certificates are redeemable in commodities from CCC inventories. Some certificates are redeemable in cash under certain circumstances, i.e., feed grain and cotton price support payments, cotton equalization payments, and cotton domestic allotment payments.

Cash advances may be made in lieu of payment-in-kind certificates to farmers who elect to take payment in cash rather than commodities. The certificates are placed in a pool and the Corporation sells the commodities covered by such certificates. Most of the certificates issued are surrendered to the Corporation for marketing.

The certificates are placed in a pool. Commodities equal to such rights in the pool are sold.

	1965 <u>actual</u>	1966 <u>estimate</u> (millions)	1967 <u>estimate</u>
Payment-in-kind (Domestic):			
Cost value	\$754.2	\$376.1	\$518.0
Proceeds credited to price-support	722.1	341.0	409.0

i. Transfers to other Government agencies.--

(1) Domestic.--(Excluding Section 416 donations). Domestic transfers are made from CCC inventories under Sec. 32, P.L. 320, as amended and supplemented. Commodities procured under this authority are made available for relief and school lunch programs.

	1965 <u>actual</u>	1966 <u>estimate</u> (millions)	1967 <u>estimate</u>
Transfers to other Government			
Agencies: Domestic			
Cost value	\$101.4	\$156.3	\$124.9
Proceeds	105.7	164.1	130.6

(2) Export.--This includes commodities transferred under Section 402 of the Mutual Security Act of 1954, as amended.

	1965 <u>actual</u>	1966 <u>estimate</u> (millions)	1967 <u>estimate</u>
Transfers to other Government			
Agencies: Export			
Cost value	\$10.2	\$10.6	\$10.6
Proceeds	6.7	5.6	5.6

j. Donations.--

(1) Domestic.--Under various legislative authorities, CCC is directed to donate its stocks, without charge, for the following purposes:

- (a) Dairy products in excess of usual commercial purchases to the armed services and veterans' hospitals;
- (b) Food to relieve distress in areas determined by the President to be acute distress areas;
- (c) Food for use in major distress areas because of unemployment or natural disasters;
- (d) Food to the Bureau of Indian Affairs;
- (e) Food to Federal and State penal and correctional institutions;
- (f) Food to Federal, State and private agencies for non-profit school lunch programs, for training students in home economics, nonprofit summer camps for children and to assist needy persons; and
- (g) Research, experimentation, textile training classes, educational and miscellaneous other projects.

	1965 <u>actual</u>	1966 <u>estimate</u> (millions)	1967 <u>estimate</u>
Donations--Cost value--Domestic:			
Sec. 202, Veterans and armed services	\$41.3	\$17.3	\$17.3
Sec. 416, Needy persons	120.1	53.7	84.2
Sec. 210, Penal, research, education, etc.	1.3	1.2	1.2
Sec. 407, Distress areas ....	.4	-	-

(2) Export.--Food is donated which is in excess of domestic needs for the following purposes:

- (a) Nonprofit school lunch programs, and
- (b) International relief for distribution abroad through nonprofit international agencies to needy persons.

	1965 <u>actual</u>	1966 <u>estimate</u> (millions)	1967 <u>estimate</u>
Donations--Cost value--Export:			
Sec. 416, Agricultural Act of 1949 (needy persons abroad, excluding Title II, PL 480)	\$174.6	\$167.6	\$169.0
Sec. 308, PL 480 (vegetable oils)	36.4	38.1	30.9

(k) Market development.--Agricultural commodities are made available by CCC for use at trade fairs and exhibitions abroad to aid in the development of foreign markets for such commodities.

	1965 <u>actual</u>	1966 <u>estimate</u> (millions)	1967 <u>estimate</u>
4. Total dispositions:			
Cost value	\$2,448.1	\$2,138.6	\$2,082.2
Proceeds	2,007.1	1,870.6	1,623.9

II COMMODITY EXPORT

A. Description of Current Program

1. Objective.--To maintain the U.S. share in foreign trade.
2. Authority.--Under the Commodity Credit Corporation Charter Act, as amended (15 U.S.C. 714) and other legislative authority.
3. Operations.--The abundant production of American farms enables the U.S. to offer a wide range of agricultural products on the world market. But domestic prices, in some instances, are higher than prices of competing foreign products, especially for certain price-supported commodities.

The Corporation, under this program, makes export payments on commodities exported from commercial stocks, including commodities acquired from the Corporation at domestic prices and sells commodities at reduced prices for export. Export payments on wheat products are made in cash. Export payments on other commodities are made by issuance of certificates which may be used to pay for the same or other designated commodities obtained from price-support inventories of CCC or from price-support loans.

Export payments and differentials on wheat and wheat products exported under International Wheat Agreement and on commodities exported under Titles I and IV, Public Law 480 are not recorded as costs of this program.

The certificates issued under this program are redeemable in any CCC-owned commodity, or tobacco under loan, offered for export sale.

Surplus agricultural commodities acquired from free market supplies as authorized by CCC are eligible for barter and exchange.

B. Summary of Operations

<u>Programs</u>	<u>1965 actual</u>	<u>1966 estimate (millions)</u>	<u>1967 estimate</u>
1. <u>Upland cotton:</u>			
Quantity exported (bales) ....	.3	-	-
Certificates issued	\$3.3	-	-
2. <u>Flaxseed:</u>			
Quantity exported (bu.)	1.1	10.0	7.0
Certificates issued	\$2.2	\$2.5	\$1.8
3. <u>Soya products:</u>			
Quantity exported	xxx	xxx	xxx
Certificates issued	xxx	\$2.0	xxx
4. <u>Rice:</u>			
Quantity exported (cwt.)	16.5	22.7	22.7
Certificates issued	\$38.3	\$45.4	\$45.4
5. <u>Butter:</u>			
Quantity exported (lb.)	87.0	14.0	14.0
Certificates issued	\$22.3	\$4.0	\$4.0
6. <u>Dry milk:</u>			
Quantity exported (lb.)	317.6	225.0	225.0
Certificates issued	\$19.8	\$4.5	\$2.2
7. <u>Milkfat products:</u>			
Quantity exported (lb.)	7.9	4.8	4.8
Certificates issued	\$2.6	\$1.7	\$1.7
8. <u>Wheat:</u>			
Exports of Corporation-owned (bu.)	7.0	20.0	20.0
Net cost	\$2.2	\$9.0	\$3.0
Wheat export payments:			
Commercial exports (bu.) ...	19.0	33.0	172.0
Certificates issued	\$6.3	\$14.8	\$25.8
Wheat flour:			
Commercial exports (bu. equiv.)	6.8	7.0	18.0
Cash payments	\$2.6	\$4.2	\$3.6
9. <u>Cotton products:</u>			
Equalization payments:			
Bale equivalent .....	.026	-	-
Payments (value)	\$1.1	-	-

III STORAGE FACILITIES

A. Description of Current Program

1. Objective.--To provide adequate storage facilities for CCC-owned and producer-owned commodities.
2. Authority.--Section 5 of the Commodity Credit Corporation Charter Act.
3. Operations.--The Corporation purchases and maintains granaries and equipment for the care and storage of CCC-owned commodities in areas where privately-owned storage facilities are not adequate. It makes loans for the construction or expansion of on-farm storage facilities.

Purchases of storage facilities were made by CCC in storage deficient areas prior to 1958 to provide emergency storage space for deliveries of producer grain at loan maturity.

Loans are made for on-farm construction or maintenance of facilities. These loans are recourse loans with the storage facility or equipment serving as collateral. Loans are for a maximum period of 5 years on facilities and 3 years on equipment. Loans are repayable in equal annual amounts with interest at the rate of 4% a year on the unpaid balance. The amount to be loaned on new storage facility or drying equipment is 85% of the out-of-pocket cost of the facility. There is a limit of 50 cents per bushel of storage capacity for facility loans.

CCC also makes loans for driers, air-circulators and ventilators. Farmers arrange for farm storage facility and equipment loans with the ASCS county committees. To be eligible, a farmer must comply with the regulations for specific programs, both under price support and acreage diversion.

During fiscal year 1965, loans were made to finance storage facilities having a 25,169,288 bushel capacity. There were no storage facilities purchased by CCC.

B. Summary of Operations

	1965 <u>actual</u>	1966 <u>estimate</u> (millions)	1967 <u>estimate</u>
Storage Facilities Program:			
Loans outstanding, beginning of year	\$55.1	\$39.5	\$23.4
Loans made	8.6	8.0	8.0
Loans repaid and transfers to			
accounts receivable	24.2	24.1	22.1
Loans outstanding at end of year ..	39.5	23.4	9.3
Miscellaneous expense .....	.2	.2	.2
Miscellaneous income .....	.1	.1	.1
Sales of bins	4.5	5.8	4.1
Realized gain (*)	4.4*	5.7*	4.0*

IV SUPPLY AND FOREIGN PURCHASE

A. Description of Current Program

1. Objective.--To procure agricultural commodities in the U.S. and in foreign countries to meet domestic requirements, as well as requirements of U.S. Government agencies, foreign governments and international relief and rehabilitation organizations.
2. Authority.--This program is conducted under sections 5(b) and (c) of the Commodity Credit Corporation Charter Act.
3. Operations.--The Corporation procures agricultural commodities in the U.S. and foreign countries to meet domestic requirements as well as needs of U.S. Government agencies and international relief and rehabilitation organizations. The major items procured during fiscal year 1965 were processed and packaged commodities and foundation seeds. There were no agricultural commodities procured in foreign countries during fiscal year 1965.

B. Summary of Operations

	1965 <u>actual</u>	1966 <u>estimate</u> (millions)	1967 <u>estimate</u>
Inventory at beginning of year	\$.1	\$.1	\$.1
Purchase of commodities .....	.4	.5	.5
Sales: Cost value .....	.4	.5	.5
Proceeds .....	.4	.6	.6
Inventory at end of year .....	.1	.1	.1
Other expenditures	<u>a/</u>	<u>a/</u>	<u>a/</u>
Net expenditures or receipts (*) ...	<u>a/</u>	.1*	.1*
Net loss or gain (*) .....	.1*	.1*	.1*

a/ Less than \$50,000.

V FEED GRAIN DIVERSION PROGRAM

A. Description of Current Program

1. Objective.--To reduce the surplus of feed grains while maintaining or improving feed grain income and stabilizing feed grain prices.
2. Authority.--The Soil Conservation and Domestic Allotment Act, as amended by the Feed Grain Act of 1963, Public Law 88-26, approved May 20, 1963, and the Food and Agriculture Act of 1965, Public Law 89-321, approved November 3, 1965.
3. Operations.--The Corporation makes diversion payments to producers for acreage reductions of corn, grain sorghum and barley. These payments may be made:

- a. By issuance of negotiable payment-in-kind certificates, or
- b. By making cash advances in lieu of issuing certificates to producers who elect in advance to have the Corporation market their certificate rights.

The basic features of the 1965 and 1966 feed grain programs are:

- a. Voluntary participation,
- b. Corn, grain sorghum and barley acreage combined in a single base, and
- c. Participating farmers eligible for diversion payments and price-support payments as well as price support loans.

Each feed-grain producer who takes part may choose the eligible cropland to come out of feed production and go into conserving uses. To meet the needs of most farmers, the program provides a range in the acreage which may be diverted:

- a. The smallest acreage that can be diverted for payment is 20% of the feed-grain base for the farm,
- b. The largest acreage on which payment can be made for diversion is 50% of the farm's feed grain base, or 25 acres, if this is more than 50% of the base.

On farms that produce more than one feed grain, the total farm base will include a base for each feed grain. Feed grains may be substituted for wheat, or wheat for feed grains when the farmer signs up for both of these programs.

Farmers signing up for both feed grain and wheat programs and who have a rye or oat acreage history may ask for an oat--rye base. The minimum diversion from the oat--rye base is 20% and the payment rate is 1/4 of the wheat diversion rate.

The base period for determining the adjusted average yield for the 1965 program was the five-year period 1959-63. For 1966, projected yields are based on the 1960-64 average.

Acreage diversion payment rates for 1965 feed grain program:

- a. Required diversion--20% of base acreage at 20% of normal yield (adjusted 1959-63 average) times the support price. (NOTE: Required diversion will be paid for at 50% rate if 40% or more of base is diverted--see b(2) below.)
- b. Additional diversion--
 - (1) Between 20% and 40% of base at 50% of normal yield times the support price, and
 - (2) Those who divert from 40% to 50% of base (or 25 acres if this is greater) will receive the maximum 50% payment rate on all acres diverted.

Acreage diversion payment rates for 1966 feed grain program:

- a. Required diversion.--20% of base acreage. No payments made on this diversion.
- b. Additional diversion.--Between 20% up to a maximum of 50%, diversion payments based on the projected yield times 50% of the support price.

Small farm provisions.--For farms of 25 acres or less:

- a. Required diversion.--Payments will be made as follows: 20% of base acreage times the projected yield @ 20% of support price, and
- b. Additional diversion.--Balance of acres times the projected yield at 50% of the support price.

Farmers will also be able to substitute wheat and feed-grain acreage and may produce wheat on oat--rye bases.

Under the Food and Agriculture Act of 1965, specified alternate crops may be grown on acres diverted from production of feed grains, provided such crops are needed to assure an adequate supply and other legal criteria met.

As in the 1965 program, a producer who signs up for both the 1966 wheat and feed grain programs can substitute acreage.

B. Summary of Operations

Feed Grain Acreage Diversion Payments (millions)

Commodity and Crop Years		Acreage Diverted for Payment	1964 Actual	1965 Est.	1966 Est.	1967 Est.	Total (Crop Year)
<u>Corn:</u>	1964	22.2	a/ \$300.0	\$401.0	-	-	\$701.0
	1965	24.2	-	328.0	\$454.0	-	782.0
	1966	22.0	-	-	232.0	\$320.0	552.0
	1967	xxx	-	-	-	a/ 232.0	a/ 232.0
	Total (F.Y.) ...	xxx	300.0	729.0	686.0	552.0	xxx
<u>Grain Sorghum:</u>	1964	6.5	a/ 50.0	88.0	-	-	138.0
	1965	6.9	-	57.0	77.0	-	134.0
	1966	6.0	-	-	33.0	45.0	78.0
	1967	xxx	-	-	-	a/ 33.0	a/ 33.0
	Total (F.Y.) ...	xxx	50.0	145.0	110.0	78.0	xxx
<u>Barley:</u>	1964	3.7	a/ 23.0	24.4	-	-	47.4
	1965	3.5	-	15.7	23.3	-	39.0
	1966	3.0	-	-	10.0	15.0	25.0
	1967	xxx	-	-	-	a/ 10.0	a/ 10.0
	Total (F.Y.) ...	xxx	23.0	40.1	33.3	25.0	xxx

a/ Advance payment only.

Diversion payments will be based on the actual crop acreage reduced.

The following is a summary of actual and estimated diversion payments since the inception of the program:

Crop Year	Acreage Diverted for Payment	(In millions)								Total (Crop Year)
		Fiscal Years								
		1961 Actual	1962 Actual	1963 Actual	1964 Actual	1965 Actual	1966 Estimate	1967 Estimate		
1961	25.2	\$333.2	\$449.3	a/ -\$.5	a/ -\$.1	-	-	-	\$781.9	
1962	28.2	-	353.7	489.2	a/ -.1	-	-	-	842.8	
1963	24.5	-	-	188.6	273.3	-	-	-	461.9	
1964	32.4	-	-	-	373.0	\$513.4	-	-	886.4	
1965	34.6	-	-	-	-	400.7	\$554.3	-	955.0	
1966	31.0	-	-	-	-	-	275.0	\$380.0	655.0	
1967	xxx	-	-	-	-	-	-	b/ 275.0	b/ 275.0	
Total, fiscal year	xxx	333.2	803.0	677.3	646.1	914.1	829.3	655.0	xxx	
CUMULATIVE	xxx	333.2	1,136.2	1,813.5	2,459.6	3,373.7	4,203.0	4,858.0	xxx	

a/ Denotes refunds and adjustments.

b/ Advance payments.

VI WHEAT ACREAGE DIVERSION AND MARKETING CERTIFICATE PROGRAMS

A. Description of Current Program

1. Objective.--To maintain wheat income, reduce the surplus and keep program costs down.
2. Authority.--The Agricultural Adjustment Act of 1938, as amended by the Food and Agriculture Act of 1962, the Agricultural Act of 1964, and the Food and Agriculture Act of 1965.
3. Operations.--Under the diversion part of the program, a farmer needs to increase his farm's normal cropland acres in conservation uses by at least 11.11 percent of his 1965 wheat allotment and 15 percent of his 1966 allotment. Payments are made in the form of negotiable sight drafts issued by CCC.

For the 1965 crop, both domestic and export marketing certificates are issued to a participating farmer based on a portion of the normal production of his eligible acres planted for harvest. One covers his share in the national marketing allocation for wheat used for food products for consumption in the United States. The other covers his share of the export marketing allocation. Beginning with the 1966 crop, domestic marketing certificates will be issued to producers to cover estimated domestic food use, but not less than 500 million bushels per year. Wheat accompanied by domestic marketing certificates will be supported at 100% of parity. Variable export certificates will be sold to exporters at a value to be set daily. At the end of the marketing year producers will receive export marketing certificates based upon net proceeds, if any, resulting from export certificates purchased by exporters and subsidies received by them. Certificates may be sold at face value to Commodity Credit Corporation. Processors of wheat into food products may not market or remove any such food product for sale or consumption without buying domestic certificates equivalent to the number of bushels of wheat used in the manufacture of the food product. During the 1965 marketing year processors will purchase domestic certificates at face value and during the 1966 marketing year they will purchase domestic certificates at face value less the amount by which price support for wheat accompanied by domestic certificates exceeds \$2.00 a bushel.

Through the 1965 marketing year exporters may not ship abroad any wheat without buying export marketing certificates equivalent to the number of bushels exported. Certificates will be purchased from the Corporation or any holder. In the 1965 marketing year export certificates are purchased at a fixed value. The Corporation makes a refund to the exporter or allows him a credit against the amount payable for marketing certificates to make U.S. wheat and flour competitive in the world market, avoid disruption of world market prices and fulfill the international obligations of the United States. In the 1966 marketing year export certificates will be purchased at a value determined on a daily basis in an amount necessary to make U.S. wheat and wheat flour generally competitive in the world market, avoid disruption of world market prices and fulfill U.S. international obligations.

B. Summary of Operations

Wheat Acreage Diversion Payments (millions)

Crop Years	Acreage Diverted for Payment	Fiscal Years				Total (Crop Year)
		1964 Actual	1965 Actual	1966 Estimate	1967 Estimate	
1964	5.1	-	\$32.5	-	-	\$32.5
1965	7.5	-	-	\$35.0	-	35.0
1966	8.0	-	-	-	\$20.0	20.0
Total, fiscal year	xxx	-	32.5	35.0	20.0	xxx

Wheat Marketing Certificate Operations (millions)

	1964 Program (1965 F.Y.)	1965 Program (1966 F.Y.)	1966 Program (1967 F.Y.)
Certificates issued to producers	\$409.8	\$468.0	\$661.5
Certificates purchased by CCC	409.8	468.0	661.5
Certificates sold by CCC (less export subsidies and other offsets)	516.5	592.7	378.7
Certificates sold by CCC in excess of certificates purchased and outstanding <u>1/</u>	106.7*	124.7*	-
Certificates purchased by CCC in excess of certifi- cates sold	-	-	282.8

* Denotes net receipt.

1/ The net receipts from certificate operations as shown above are more than offset by (1) export subsidy payments and (2) the value of marketing certificates reflected in the price CCC pays for wheat products.

VII COTTON EQUALIZATION

A. Description of Current Program

1. Objective.--To help maintain cotton growers' income while reducing both cotton supplies and Government expenditures.

2. Authority.--Agricultural Act of 1964 provides for special programs for the 1964 and 1965 crops of cotton.

3. Operations.--CCC makes payments to handlers (other than producers) to equalize the cost of raw cotton between domestic and foreign users. Payments are in the form of payment-in-kind certificates. The handler or

user may either redeem the certificate from CCC stocks of cotton or get a cash advance by electing to have the Corporation assist in marketing the certificates. Most of the certificates under this program have been surrendered to the Corporation for marketing and been placed in a certificate pool. Certificate rights are sold from the pool for redemption in upland cotton from the Corporation's inventory.

B. Summary of Operations

Upland Cotton Equalization Payments

Item	1965 Actual		1966 Estimate	
	Quantity (thous. bales)	Value (mil. \$)	Quantity (thous. bales)	Value (mil. \$)
Total equalization payments <u>a/</u>	13,858	\$450.4	12,000	\$345.0
Charged as follows:				
Public Law 480 (Titles I and IV)	474	15.4	500	14.4
Other than Public Law 480	12,603	409.6	11,500	330.6
Interim (transitional) <u>b/</u>	781	25.4	-	-

a/ Equalization (PIK) payment rates are as follows: 1965 - 6.5¢ per lb. (\$32.50 per bale); 1966 - 5.75¢ per lb. (\$28.75 per bale).

b/ Payments on bales opened for domestic use from April 11, 1964, to July 31, 1964.

VIII COTTON DIVERSION PROGRAM

A. Description of Current Program

1. Objective.--To reduce cotton production without decreasing farmers' incomes.
2. Authority.--The Agricultural Adjustment Act of 1938, as amended by the Food and Agriculture Act of 1965.
3. Operations.--Diversion payments will be made on the 1966 crop of cotton to producers who divert at least 12.5% of their acreage to soil-conserving uses.

Required acreage - 12.5% of the farm effective allotment, except for small farms.

Maximum acreage - Total diversion for program payments shall not exceed 35%.

Diversion payments will be made to producers, based on their participation with acreage reduction provisions. Payments will be made in cash or payment-in-kind by the issuance of certificates

which CCC shall redeem for cotton. The Corporation may assist the producers in the marketing of certificates.

Upon request of the producer, 50% of the diversion payments may be made in advance, based on the producer's intended participation in the program.

B. Summary of Operations

<u>Crop Year</u>	<u>Fiscal Year (Est.)</u>	
	<u>1966</u>	<u>1967</u>
	(millions)	
1966	\$112.0	\$125.0
1967	-	112.0
Total (fiscal year)	<u>112.0</u>	<u>237.0</u>

IX SPECIAL ACTIVITIES

The Corporation finances activities pursuant to specific provisions of law, other than special activities for which specific annual appropriations are made to the Corporation. The programs for which appropriations are received are discussed under "Foreign Assistance Programs," "Special Export Programs," and "Reimbursement to Commodity Credit Corporation, National Wool Act." A description of other activities financed by the Corporation follows:

A. Military Housing (Barter and Exchange)

During 1957, \$50 million of CCC-owned surplus commodities were exchanged for construction of military housing in France. Costs incurred under this program represent the Corporation's investment in the commodities exchanged. Under a long-term agreement with the Department of Defense, CCC is reimbursed annually from proceeds from rental receipts and quarters allowances.

The Corporation's investment has been reduced since 1957. It is anticipated that \$2 million annually will be applied against amounts due under this activity. The Corporation's investment in French military housing at June 30, 1965, was \$37,951 thousand.

Details of military housing financed by foreign currencies obtained from sales of surplus agricultural commodities under Public Law 480, Title I, are discussed under "Foreign Assistance Programs."

B. Grain for Migratory Waterfowl

Grain acquired through price-support operations and certified by CCC to be unfit for human consumption is furnished to the Department of Interior upon its request to feed migratory waterfowl to prevent damage of crops. Funds are appropriated to the Department of the Interior for this program.

<u>Summary of Operations</u>	1965 <u>Actual</u>	1966 <u>Estimate</u> (thousands)	1967 <u>Estimate</u>
Commodities transferred:			
Quantity (bushels)	43	30	30
Value	\$55	\$35	\$35
Total net expenditures	\$55	\$214*	-
Unreimbursed balance	\$249	\$35	\$35
* Denotes receipt.			

C. Surplus Grain for Game Birds

1. The Secretary of the Interior may requisition grain from CCC to feed starving migratory birds. This item is included under the appropriation for the Department of the Interior.

2. Grain is furnished by CCC to the States, upon certification by the Secretary of the Interior that resident game birds and other resident wildlife are threatened with starvation. Recovery for the costs of such grain is included in the 1967 appropriation request for "Reimbursement for net realized losses."

<u>Summary of Operations</u>	1965 <u>Actual</u>	1966 <u>Estimate</u> (thousands)	1967 <u>Estimate</u>
(a) Commodities transferred to			
Department of the Interior	-	-	-
Unrecovered balance	\$4	-	-
(b) Commodities transferred to States:			
Quantity (bu.)	10	15	15
Value	\$13	\$20	\$20
Net expenditures	\$13	\$20	\$20
Unrecovered balance, end of year, included in "Reimbursement for net realized losses"	\$224	\$33	\$40

D. Sight Drafts Issued by CCC

The Commodity Credit Corporation makes payments by sight drafts for the following programs administered by the Agricultural Stabilization and Conservation Service:

- Agricultural Conservation Program
- Emergency Conservation Measures
- Conservation Reserve Program
- Cropland Conversion Program
- Sugar Act Program
- Cropland Adjustment Program

Details of these programs are explained under Agricultural Stabilization and Conservation Service in Volume 2 of these Notes.

E. Loans to Secretary of Agriculture for Conservation Purposes

Loans are made to the Secretary in advance of appropriations for the agricultural conservation program to purchase conservation materials and services.

F. Transfer of Long-Staple Cotton from National Stockpile
for Sale by Commodity Credit Corporation

The Commodity Credit Corporation was given custodial and disposal authority of extra-long staple cotton remaining in the stockpile. The cotton was transferred at no cost to the Corporation. Sales proceeds less administrative expenses and transportation and maintenance costs incurred in financing sales are covered into the Treasury as miscellaneous receipts.

Summary of Operations.--There were 170,143 bales of cotton in CCC inventory as of June 30, 1964. In 1965, 55,030 bales were sold and 115,113 are still in inventory. The following table reflects expenditures and receipts of the Corporation in financing sales:

<u>Activity</u>	1965 <u>Actual</u>	1966 <u>Estimate</u> (thousands)	1967 <u>Estimate</u>
Sales proceeds	\$10,053	\$10,100	\$10,000
Costs incurred	271	250	250
Amounts covered into Treasury as miscellaneous receipts	21,574	9,773	9,750
Total net expenditures or receipt (*)	11,792	77*	-

G. Cropland Adjustment Program

Through December 31, 1966, the Secretary is authorized to use the funds and facilities of the Corporation for this program.

X EXPENSES DISTRIBUTED TO PROGRAMS

Expenses of acquisition, operation, maintenance, improvement, or disposition of property which the Corporation owns or in which it has an interest have been treated as program rather than administrative expenses. Such expenses include inspection, classing, and grading work performed on a fee basis by Federal employees or Federal or State licensed inspectors and work performed on a contract or fee basis by Agricultural Stabilization and Conservation County Committees. Capital funds of the Corporation are transferred to the appropriation, Expenses, Agricultural Stabilization and Conservation Service, as indicated under that appropriation item for operating expenses relating to the Corporation's programs. Also, expenses of other Federal agencies whose services are used in the handling of Corporation property are treated as program expenses, such as the services of the General Services Administration in connection with the strategic, critical, and other materials acquired by the Corporation.

As of June 30, 1961, the carrying charges incurred for storage, handling and transportation in connection with Commodity Credit Corporation inventories of commodities are treated as expense items instead of adding these charges to the inventory values of commodities as was done prior to this

date. Included in these carrying charges are the transfers made from Corporation program funds to the consolidated appropriation "Expenses, Agricultural Stabilization and Conservation Service" for maintaining grain in Corporation-owned bins and for other program operations of the Corporation.

XI INCOME AND EXPENSE NOT DISTRIBUTED TO A SPECIFIC PROGRAM

A. Income

1. Description of items of income.--

a. Interest income.--This includes:

(1) Interest on loans on barley, corn, dry edible beans, flaxseed, grain sorghums, honey, oats, farm-stored peanuts, rice, rye, soybeans, tung oil, and wheat, and Form A loans on cotton @ 30¢ per \$100 for each calendar month or fraction thereof; and $3\frac{1}{2}\%$ on all other commodity loans (6% for recourse commodity loans extending beyond regular loan period and interest at 4% on recourse storage facilities loans).

	1965 <u>Actual</u>	1966 <u>Estimate</u> (millions)	1967 <u>Estimate</u>
Interest on loans	\$21.5	\$20.4	\$23.5

(2) Reimbursable programs.--For the International Wheat Agreement (7 U.S.C. 1641); Titles I, II and IV of Public Law 480 (7 U.S.C. 1703); and the National Wool Act (7 U.S.C. 1784) related interest costs are charged at the average rate paid by the Commodity Credit Corporation on Treasury borrowings on portions requiring Corporation financing.

	1965 <u>Actual</u>	1966 <u>Estimate</u> (millions)	1967 <u>Estimate</u>
Interest on reimbursable programs	\$2.1	\$2.0	\$.9

(3) Other.--Including primarily interest on amounts due on credit sales of commodities.

	1965 <u>Actual</u>	1966 <u>Estimate</u> (millions)	1967 <u>Estimate</u>
Other interest income	\$9.3	\$7.6	\$7.6

b. Other income.--This includes income from claims, sale of nonexpendable administrative property, administrative expense reimbursements, and various other sources.

	1965 <u>Actual</u>	1966 <u>Estimate</u> (millions)	1967 <u>Estimate</u>
Other income	\$3.2	\$3.5	\$3.5
Total income not distributed to specific programs	\$36.1	\$33.5	\$35.5

B. Expenses

1. Description of items of expense.--

a. Administrative expense.--

(1) Subject to limitation.--These are for the operating staff including the services of ASCS, Consumer and Marketing Service, and Foreign Agricultural Services employees engaged in Corporation activities, services performed by other agencies of the Department, costs of audit, reimbursement for services rendered by other agencies, and payments to General Services Administration for rent. Of the authorized limitation, \$945 thousand was available only to expand and strengthen the sales program of the Corporation in fiscal years 1965, 1966 and 1967.

(2) Reimbursable.--Corporation funds are used for the administrative expenses of:

(a) The supply and foreign purchase program for which reimbursement is obtained by a mark-up on sales invoices. The mark-up is credited on the books of the Corporation to a deferred income account, which, in turn, is charged with all of the program's administrative expense.

(b) The International Wheat Agreement for which reimbursement is obtained by appropriation.

(c) The wool and mohair program under the National Wool Act of 1954 for which reimbursement is obtained by appropriation.

(d) The sale of long staple cotton transferred from the national stockpile for which expenses are reimbursed from sales proceeds.

(e) Miscellaneous services performed for other agencies on a reimbursable basis.

	1965 <u>Actual</u>	1966 <u>Estimate</u> (millions)	1967 <u>Estimate</u>
Administrative expense:			
Subject to limitation:			
Limitation	(\$37.4)	(\$36.7)	(\$34.3)
Reserve or unobligated	<u>(6.2)</u>	<u>(2.6)</u>	<u>(2.4)</u>
Obligations	31.2 <u>a/</u>	34.1 <u>a/</u>	31.9 <u>a/</u>

a/ Expenditures against advances to "Expenses, Agricultural Stabilization and Conservation Service," and "Foreign Agricultural Service."

b. Interest expense.--

(1) Treasury Department.--This includes interest on borrowings from the Treasury and on capital stock. Treasury policy directs payment at a rate based upon the average interest rate on all outstanding marketable obligations (of comparable maturity date) of the U.S. as of the preceding month. Payment of interest on borrowings from the Treasury is made on an annual basis in July for the previous fiscal year.

(2) Loan financing expense.--Interest is paid on loans and certificates held by lending agencies for the period their funds are invested.

	1965 <u>Actual</u>	1966 <u>Estimate</u> (millions)	1967 <u>Estimate</u>
Interest expense (cost basis):			
Treasury Department	\$318.1 b/	\$295.3 b/	\$289.8
Loan financing expense	<u>18.4</u>	<u>27.0</u>	<u>35.0</u>
Total, interest expense ...	<u>336.5</u>	<u>322.3</u>	<u>324.8</u>

b/ Includes retroactive adjustment for interest-free borrowings of \$197.5 mil. in 1965 and \$.6 mil. in 1966..

c. Purchase (depreciation) of administrative equipment.--This includes office furniture and fixtures, office machines, appliances, etc. These purchases are treated as operating expenses and are fully depreciated immediately after purchase, except the cost of major purchases of equipment (especially electronic data processing equipment) which is depreciated over a period covering the estimated useful life of such equipment.

	1965 <u>Actual</u>	1966 <u>Estimate</u> (millions)	1967 <u>Estimate</u>
Purchase of administrative equipment	\$1.5	\$.5	\$.2

d. Other expense.--This covers such items as:

(1) Payments for services rendered.--This includes payments to:

(a) Federal Reserve Banks.--Pursuant to Public Law 151, 78th Congress (12 U.S.C. 395), these banks are authorized to act as depositories, custodians and fiscal agents for the Corporation. For related services, the Corporation reimburses the banks monthly.

(b) Servicing Agents.--This covers amounts paid to lending agencies for service fees in connection with peanut, tobacco and cotton loans.

(c) Agricultural Stabilization and Conservation County Committees.--This covers reimbursement by the Corporation of special services rendered including expenses related to acquisition of collateral, reinspection, repayments on grain loans and other commodities handled by the county committees.

(2) Accounts and notes receivable charged off.--This represents uncollectible amounts.

(3) Miscellaneous expense.--This includes such expenses incident to claims, and other expenses not allocated to a specific program.

	1965 <u>Actual</u>	1966 <u>Estimate</u> (millions)	1967 <u>Estimate</u>
Nonadministrative expense:			
State and County expense	\$27.7	\$12.4	\$12.8
Other ASCS expenses .....	.5	.4	.4
Custodian and agency expenses ..	1.3	1.0	1.0
Accounts receivable charged off .	.5	1.1	2.6
Miscellaneous expense	<u>.6</u>	<u>1.0</u>	<u>1.0</u>
Total, nonadministrative expense	<u>30.6</u>	<u>15.9</u>	<u>17.8</u>

C. Summary of Income and Expenses

	1965 <u>Actual</u>	1966 <u>Estimate</u> (millions)	1967 <u>Estimate</u>
Total income not distributed to specific programs	<u>\$36.1</u>	<u>\$33.5</u>	<u>\$35.5</u>
Total expense not distributed to specific programs	<u>\$399.8</u>	<u>\$372.8</u>	<u>\$374.7</u>
Net expense	<u>\$363.7</u>	<u>\$339.3</u>	<u>\$339.2</u>

(b) Administrative Expenses, Commodity Credit Corporation

Estimate, 1966 and Base for 1967	\$36,650,000
Budget Estimate, 1967	<u>34,300,000</u>
Decrease	<u>-2,350,000</u>

SUMMARY OF INCREASES AND DECREASES

	1966 <u>Available</u>	Increase of <u>Decrease</u>	1967 <u>Estimate</u>
Transfer to "Expenses, Agricultural Stabilization and Conservation Service"	\$32,435,500	-\$2,427,500	\$30,008,000
Allotment to Consumer and Marketing Service	2,416,500	+68,500	2,485,000
Allotment to Foreign Agricultural Service	1,732,000	+16,000	1,748,000
Unused balance of Sales expansion limitation	<u>66,000</u>	<u>-7,000</u>	<u>59,000</u>
Total	<u>36,650,000</u>	<u>-2,350,000</u>	<u>34,300,000</u>

The following project statement reflects the total funds proposed to be used for administrative expenses of the Commodity Credit Corporation and which are proposed to be advanced as indicated. An explanation of the funds required for 1967 is included in Volume 2 of these Explanatory Notes under the respective agencies indicated.

PROJECT STATEMENT

Project	: 1965	: 1966 : (Estimated)	: Increases : and Decreases	: 1967 : (Estimated)
Transfer to "Expenses, Agricultural Stabilization and Conservation Service" ..	:\$27,345,229	:\$32,435,500	:-\$2,427,500	:\$30,008,000
Allotment to Consumer and Marketing Service	: 2,300,000	: 2,416,500	: +68,500	: 2,485,000
Allotment to Foreign Agri- cultural Service	: 1,526,525	: 1,732,000	: +16,000	: 1,748,000
Unobligated balance	: 5,994,903	: - -	: - -	: - -
Unused balance of limitation for expansion of the sales program	: 184,343	: 66,000	: -7,000	: 59,000
Total available or estimate	: 37,351,000	: 36,650,000	: -2,350,000	: 34,300,000

(g) National Wool Act

Appropriation, 1966 and base for 1967	\$22,577,216
Budget Estimate, 1967	37,373,000
Increase	<u>+14,795,784</u>

PROJECT STATEMENT

Project	1965	1966	Increase	1967 Estimate
Reimbursement to Commodity:				
Credit Corporation for				
expenditures under the				
National Wool Act				
(available or estimate):	\$87,769,762	\$22,577,216	+\$14,795,784(1)	\$37,373,000

- (1) An increase of \$14,795,784 in the appropriation to reimburse the Commodity Credit Corporation.

Commodity Credit Corporation funds are used to operate the wool incentive and mohair support program. The Corporation is reimbursed by a permanent appropriation limited to 70 percent of all duties collected on wool and wool manufactures during the preceding calendar year. The following shows the estimated duties collected and amount available for reimbursement:

	1966 (1964 calendar year)	1967 Estimate (1965 calendar year)
Total duties collected in the applicable calendar year	\$113,323,654	\$128,500,000
70% of duties collected, representing maximum available for reimbursement to CCC	79,326,558	90,000,000
Appropriation or estimate to reimburse Commodity Credit Corporation	22,577,216	37,373,000

The 1966 appropriation covers reimbursement for fiscal year 1965 expenditures relating to the 1964 marketing year program. The 1967 appropriation estimate covers fiscal year 1966 estimated expenditures relating to the 1965 marketing year. The following table sets forth the difference in program volume between the years:

<u>Item</u>	1966 (Fiscal Year 1965 Expenditures)	Increase (+) or Decrease (-)	1967 Estimate (Fiscal Year 1966 Expendi- tures - Est.)
Payments to producers:			
Shorn wool	\$16,636,057	a/ +\$11,203,943	\$27,840,000
Unshorn lambs	3,572,907	b/ +1,125,093	4,698,000
Mohair	-	c/ +2,135,000	2,135,000
Total payments	<u>20,208,964</u>	+14,464,036	<u>34,673,000</u>
Operating expenses	2,175,228	d/ +127,772	2,303,000
Interest expense	193,024	e/ +203,976	397,000
Total expenditures	<u><u>22,577,216</u></u>	<u><u>+14,795,784</u></u>	<u><u>37,373,000</u></u>

- a/ The increase of \$11,203,943 is based on the difference between an estimated payment of 14.5¢ per pound for 192 million pounds of shorn wool in the fiscal year 1966 and the payment of 8.8¢ per pound for 189 million pounds of shorn wool in the fiscal year 1965. The decrease in world wool prices in the fiscal year 1966 reflects lower domestic prices and is the cause of the increased payment rate.
- b/ The increase of \$1,125,093 represents the difference between estimated payment of 58¢ per hundredweight for 8,100,000 hundredweight of unshorn lambs in the fiscal year 1966 and the payment of 35¢ per hundredweight for 10,208,000 hundredweight of unshorn lambs in the fiscal year 1965.
- c/ The increase of \$2,135,000 is based on estimated payment of 7.0¢ a pound for 30,500,000 pounds of mohair. The difference is due to no payments made in fiscal year 1965.
- d/ The increase of \$127,772 is due primarily to payments under the mohair program.
- e/ The increase of \$203,976 is based on increased payment costs in a/, b/, and c/ above.

STATUS OF PROGRAM

Under the National Wool Act of 1954, as amended by the Food and Agriculture Act of 1965, wool prices are to be supported through December 31, 1969. The objective of this program is to encourage an annual domestic production of approximately 300 million pounds of shorn wool. This is accomplished by incentive payments to eligible producers. Payment rates are based on the amount required to bring the national average price received by all producers up to the announced incentive level. The incentive level under the new legislation is determined for the 1966 and subsequent marketing years by computing the ratio of (1) the average parity index for the three years immediately preceding the year in which the level is determined, and (2) the average parity index for 1958, 1959, and 1960. That ratio is multiplied by 62 cents. For the 1966 marketing year, the new formula results in an incentive level of 65 cents a pound compared with the 62 cent level prevailing since 1955. If production costs continue to increase, a further moderate increase in the support level can be expected for subsequent marketing years. Pulled wool is supported in a comparable relationship to shorn wool. This is done by making payments on the sale of lambs that have never been shorn. Mohair is supported by payments similar to those on shorn wool. The support level may not be more than 15 percent below nor 15 percent above the comparable level at which shorn wool is supported.

Payments are made to eligible producers through the Agricultural Stabilization and Conservation county offices. Payments are financed by the Commodity Credit Corporation. The Corporation is authorized to be reimbursed for expenditures made under the wool payment program. Reimbursement for any fiscal year is limited to an amount equal to 70% of the gross receipts from duties collected on imports of wool and wool manufactures during the calendar year preceding the beginning of such fiscal year. The accumulative total of all payments made under the program at any time is limited. They may not exceed an amount equal to 70% of the accumulated totals of the gross receipts from duties collected on and after January 1, 1953, on wool and wool manufactures subject to duty under schedule 11 of the Tariff Act of 1930, as amended.

Support by payments is available on domestic wool and mohair shorn on or after January 1, 1955, and marketed not later than December 31, 1969. Support is also available on pulled wool by payments on domestic unshorn lambs marketed not later than December 31, 1969.

Costs incurred under this program consist of:

1. Payments to producers. Deductions are made from producer payments for promotional and advertising programs.
2. Operating expenses.

3. Interest expense.

Following are the pertinent data upon which the estimates are based:

Wool Production

Production of shorn wool in the United States in 1965 is estimated at 213 million pounds, down 4 percent from 1964. Production has been declining since 1960 and is projected to decline further in 1966 before leveling off. This decline is the result of declining sheep numbers.

Market Prices for Wool

The average price received for shorn wool by wool growers during the 1964 marketing year averaged 53.2 cents per pound, grease basis. This was 10 percent higher than in 1963 and the highest since 1957 when the price averaged 53.7 cents. Prices during 1965 may average 47.5 cents per pound. The price has been declining since May 1964 due to larger world supplies, low mill use, and increasing blending or substitution of lower-priced man-made fibers.

U.S. Mill Consumption of Apparel Wool

U.S. mill use of apparel wool in 1964 totaled 234 million pounds, 7 percent less than 1963 and the lowest since 1958. A moderate increase in apparel wool use is projected for 1965 because of the recent moderate decline in the ratio of inventories of finished goods to unfilled orders. Mill use in 1966 is projected to be near that in 1965.

Imports of Wool and Wool Products

Imports of apparel wool totaled 98 million pounds in 1964. Imports for the first 8 months of 1965 totaled 107 million pounds, up 72 percent from the same months in 1964. Imports during 1966 are expected to total about 140 million pounds, about the same as estimated for 1965.

World Wool Situation

World wool prices have increased in recent months after trending downward during most of 1964 and the first half of 1965. The gain in world prices resulted from an upturn in world consumption and the prospect of slightly smaller production of wool in 1965-66 season.

Promotional and Advertising Programs

In a September 1962 referendum called by the Secretary of Agriculture, as provided by the National Wool Act, as amended, 87.6 percent of wool and lamb producers voting favored continuing in effect for 4 more years an agreement between the Secretary and the American Sheep Producers Council, Inc. On the basis of the volume of production represented, 91 percent voted in favor of the agreement. This agreement provides for the conduct of an extensive advertising, sales promotion and market development program for wool, sheep, or the products thereof. The expense

of this program is financed from deductions from the wool payments due Producers in each marketing year. The maximum rates of the deductions are 1 cent per pound of shorn wool marketed and 5 cents per hundred pounds of unshorn lamb marketed. The program is designed to improve and expand the market for the industry's products and ultimately to reduce the amount of Government payments required. The budget for the American Sheep Producers Council, Inc., is approved by the Secretary of Agriculture each year.

Receipts and Council expenses (or, in the case of fiscal year 1966, the approved budget) are:

Receipts, 9/12/55 - 6/30/65	\$26,708,462 a/
Expenses and Commitments, 9/12/55 - 6/30/65	<u>-23,949,431</u>
Balance, 6/30/65	2,759,031
Estimated deductions from wool payments for 1964 marketing year	2,400,000
Estimated deductions from wool payments for 1965 marketing year	2,400,000
Budget approved fiscal year 1966	<u>-2,900,000 b/</u>
Estimated balance for future operations, 6/30/66	4,659,031

a/ Includes \$1,087,232 interest and miscellaneous income.

b/ In addition, authority has been granted to contract during the 1966 fiscal year in an amount not to exceed \$556,250 for advertising to be released and paid for in the 1967 fiscal year.

The excess of receipts over expenditures is carried as a reserve to maintain continuity of programs through a year when the deductions may be less than the budget or when payments may not be required and no deductions are made.

Advertising and promotional contracts are entered into by the Council with private firms. These firms undertake programs under the guidance of the Council directed at creating a greater consumer demand for lamb and wool. The Council also does some work directly in this field, especially with reference to lamb merchandising. The budget for the 1966 fiscal year is divided between lamb and wool with around 57 percent of the funds allotted for advertising and promoting lamb and around 43 percent for advertising and promoting wool.

An audit is made after the end of each fiscal year by a private accounting firm in accordance with standards agreed on by the Department and the Council. In addition, the accounts of the principal contractors through which Council funds are expended are being audited by ASCS as such accounts relate to Council contracts.

Expenditures and Reimbursements to CCC
Under the National Wool Act

	: F. Y. 1965	: F. Y. 1966	: F. Y. 1967
	: (1964 Mktg.	: (1965 Mktg.	: (1966 Mktg.
	: Yr.)(actual)	: Yr.) (est.)	: Yr.) (est.)
Volume of Marketings:	:	:	:
Lbs. shorn wool	: 189,046,100	: 192,000,000	: 201,000,000
Cwt. Unshorn lambs	: 10,208,300	: 8,100,000	: 8,100,000
Lbs. Mohair	: - -	: 30,500,000	: 30,500,000
Incentive or support level:	:	:	:
Price per lb. of wool	: 62.0¢	: 62.0¢	: 65.0¢
Price per lb. of Mohair ...	: 72.0¢	: 72.0¢	: 75.8¢
Percent of parity - wool ..	: 79.5	: 78.0	: 78.5
Percent of parity - Mohair	: 68.0	: 66.7	: 66.8
Payments under Act - Rates	:	:	:
Shorn wool per lb.	: 8.8¢	: 14.5¢	: 17.5¢
Unshorn lambs, Cwt.	: 35.0¢	: 58.0¢	: 70.0¢
Mohair, per lb.	: - -	: 7.0¢	: 11.1¢
Amount of payments:	:	:	:
Shorn wool	: \$16,636,057	: \$27,840,000	: \$35,175,000
Unshorn lambs	: 3,572,907	: 4,698,000	: 5,670,000
Mohair	: - -	: 2,135,000	: 3,386,000
Total payments	: \$20,208,964	: \$34,673,000	: \$44,231,000
Administrative expenses	: 2,175,228	: 2,303,000	: 2,562,600
Interest expense	: 193,024	: 397,000	: 537,000
Current year expenditures ...	: \$22,577,216	: \$37,373,000	: \$47,330,600
Unrecovered balance prior	:	:	:
years	: 87,769,762	: 22,577,216	: 37,373,000
Total cumulative unrecovered	:	:	:
balance	: 110,346,978	: 59,950,216	: 84,703,600
Reimbursements to CCC (70%	:	:	:
of preceding calendar year)	:	:	:
1/	: 87,769,762	: 22,577,216	: 37,373,000
Unrecovered balance end of	:	:	:
year	: 22,577,216	: 37,373,000	: 47,330,600
Availability for payments 70%	:	:	:
of duty collected, by	:	:	:
calendar years	: 92,449,713	: 79,326,558	: 90,000,000
Cumulative from 1/1/53	: 764,622,559	: 854,622,559	: 944,622,559
Cumulative payments made	: 468,473,322	: 503,146,322	: 547,377,322
Balance available end of	:	:	:
fiscal year	: 296,149,237	: 351,476,237	: 397,245,237

1/ Reimbursement limited to actual expenditures of preceding fiscal year and prior fiscal year amounts not previously reimbursed.

Payments for 1964 Marketing Year on Wool and Lambs Marketed January 1 through
December 31, 1964 Payments Made April 1 through June 30, 1965

State	Marketings Covered		Adjustment for Lambs				Amount of Payments			Promotion Fund Deductions	Paid Producers
	Shorn Wool	Unshorn Lambs	Shorn Wool	Unshorn Lambs	Total	Shorn Wool	Unshorn Lambs	Total			
	- - - - -	- - - - -	1,000 pounds	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	Dollars	- - - - -
Maine	157	497	40	6	46	15,516	1,717	17,233	1,791	15,442	
New Hampshire	35	22	20	-	20	3,269	78	3,347	355	2,992	
Vermont	44	88	-	1	1	4,229	304	4,533	486	4,047	
Massachusetts	60	14	-	-	-	6,079	53	6,132	603	5,529	
Rhode Island 1/	9	12	-	-	-	935	-162	773	92	681	
Connecticut	30	16	-	-	-	2,913	55	2,968	310	2,658	
New York	779	4,692	380	512	892	77,539	14,600	92,139	9,682	82,457	
New Jersey	50	383	20	300	320	5,313	288	5,601	532	5,069	
Pennsylvania	1,143	5,303	60	236	296	115,151	17,742	132,893	13,928	118,965	
North Atlantic	2,307	11,027	520	1,055	1,575	230,944	34,675	265,619	27,779	237,840	
Ohio	6,427	31,750	6,280	2,175	8,455	594,930	106,095	701,025	75,906	625,119	
Indiana	2,371	15,019	1,160	1,056	2,216	208,639	49,749	258,388	30,107	228,281	
Illinois	3,532	25,457	8,520	6,818	15,338	287,965	65,332	353,297	40,373	312,924	
Michigan	2,319	11,889	1,900	1,318	3,218	213,192	37,062	250,254	27,525	222,729	
Wisconsin 2/	1,291	-	500	-	500	120,988	22,066	143,054	12,662	130,392	
North Central East	15,940	84,115	18,360	11,367	29,727	1,425,714	280,304	1,706,018	186,573	1,519,445	
Minnesota	5,072	43,551	9,080	8,767	17,847	444,016	121,425	565,441	63,564	501,877	
Iowa	8,402	75,439	22,160	28,017	50,177	695,896	171,855	867,751	96,644	771,107	
Missouri	3,155	20,082	1,400	1,579	2,979	285,595	64,849	350,444	40,093	310,351	
North Dakota	4,309	30,574	3,020	4,900	7,920	386,957	90,766	477,723	54,413	423,310	
South Dakota	12,277	104,742	13,640	25,877	39,517	1,080,322	277,216	1,357,538	155,371	1,202,167	
Nebraska	3,505	37,342	13,640	16,309	29,949	244,858	75,525	318,383	38,743	279,640	
Kansas	4,181	26,967	6,960	2,939	9,899	286,864	84,773	371,637	50,336	321,301	
North Central West	40,901	338,697	69,900	88,388	158,288	3,424,508	884,409	4,308,917	499,164	3,809,753	

State	Marketings Covered			Adjustment for Lambs			Amount of Payments			Promotion Fund Deductions	Paid Producers
	Shorn Wool	Unshorn Lambs	Total	Shorn Wool	Unshorn Lambs	Total	Shorn Wool	Unshorn Lambs	Total		
----- 1,000 pounds ----- Dollars -----											
Delaware	10	64	-	-	-	-	1,065	224	1,289	134	1,155
Maryland	115	912	-	4	4	4	11,727	3,217	14,944	1,601	13,343
Virginia	934	11,680	60	427	487	487	121,690	45,002	166,692	14,927	151,765
West Virginia	1,049	12,592	20	422	442	442	117,323	43,130	160,453	16,553	143,900
North Carolina	127	891	20	21	41	41	14,260	3,485	17,745	1,693	16,052
South Carolina	16	24	-	-	-	-	1,647	85	1,732	177	1,555
Georgia	35	100	-	-	-	-	3,243	346	3,589	402	3,187
Florida	16	30	-	-	-	-	1,056	105	1,161	174	987
South Atlantic	2,302	26,293	100	874	974	974	272,011	95,594	367,605	35,661	331,944
Kentucky	1,173	12,256	240	134	374	374	110,089	42,786	152,875	17,665	135,210
Tennessee	462	5,180	-	120	120	120	44,999	17,773	62,772	7,145	55,627
Alabama	51	213	20	2	22	22	4,856	1,376	6,232	610	5,622
Mississippi	114	285	-	3	3	3	10,491	1,168	11,659	1,280	10,379
Arkansas	95	436	-	4	4	4	7,738	1,511	9,249	1,163	8,086
Louisiana	166	123	20	-	20	20	14,339	427	14,766	1,714	13,052
Oklahoma	922	5,370	480	77	557	557	65,906	18,702	84,608	11,621	72,987
Texas	34,555	116,716	18,600	3,363	21,963	21,963	2,923,402	394,594	3,317,996	392,913	2,925,083
South Central	37,538	140,579	19,360	3,703	23,063	23,063	3,181,820	478,337	3,660,157	434,111	3,226,046
Montana	12,434	68,868	4,160	7,312	11,472	11,472	1,106,001	220,171	1,326,172	153,035	1,173,137
Idaho	8,000	88,713	4,560	19,428	23,988	23,988	744,769	249,509	994,278	112,361	881,917
Wyoming	18,862	92,307	6,900	9,090	15,990	15,990	1,576,591	291,179	1,867,770	226,772	1,640,998
Colorado	12,319	122,970	23,460	38,286	61,746	61,746	952,058	299,988	1,252,046	153,795	1,098,251
New Mexico	8,291	22,405	1,980	620	2,600	2,600	659,924	77,454	737,378	92,816	644,562
Arizona	3,610	12,621	1,980	132	2,112	2,112	246,086	43,658	289,744	41,354	248,390
Nevada	1,860	9,997	60	708	768	768	162,440	36,252	198,692	23,212	175,480
Utah	9,634	73,814	4,280	17,435	21,715	21,715	785,288	198,029	983,317	122,383	860,934
Washington	1,857	13,005	2,200	1,001	3,201	3,201	152,279	41,991	194,270	20,474	173,796
Oregon	4,932	29,423	3,100	2,367	5,467	5,467	479,545	95,705	575,250	61,294	513,956
California	13,793	65,524	14,120	1,463	15,583	15,583	1,209,040	240,249	1,449,289	163,021	1,286,268
Western	95,592	599,647	66,800	97,842	164,642	164,642	8,074,021	1,794,185	9,868,206	1,170,517	8,697,689

State	Marketings Covered		Adjustment for Lambs Purchased			Amount of Payments		Promotion Fund Deductions	Paid Producers
	Shorn Wool	Unshorn Lambs	Shorn Wool	Unshorn Lambs	Total	Shorn Wool	Unshorn Lambs		
	- - - - -	- - - - - 1,000 pounds	- - - - -	- - - - -	- - - - -	- - - - -	- - - - - Dollars	- - - - -	- - - - -
Alaska	1	1	-	-	-	140	1	13	128
Hawaii	20	-	-	-	-	1,747	-	197	1,550
U. S.	194,601	1,200,359	175,040	203,229	378,269	16,610,905	3,567,505	2,354,015	17,824,395
									3/

- 1/ Negative amount for payments on unshorn lambs results from collection of overpayments in previous years.
 - 2/ Report of promotion fund deductions for Wisconsin received after June 30, 1965. Payments of \$22,066 were on sales of 7,472,000 pounds of unshorn lambs with promotion fund deductions of \$3,733.
 - 3/ Payments for 1964 Marketing Year (April 1 through June 30, 1965)\$20,178,410
- Add:
Unallocated adjustment for accruals at June 30, 1964, and June 30, 1965 ... 30,554
- Total\$20,208,964

Cost of Wool Programs Financed by
Commodity Credit Corporation Funds through Loans and Payments

Year	Realized Loss or Gain on Commodity Operations-Loan Program (Fiscal Year)	National Wool Act Payment Program (Fiscal Year)	Total (Fiscal Year)	Gross Receipts from Duties Collected on Wool and Wool Manu- factures (Calendar Year)	70% of Duties Collected on Wool and Wool Manu- factures Available for Payments (Calendar Year)
1944 and prior	\$569,401		\$569,401		
1945	1,086,068		1,086,068		
1946	14,178,870		14,178,870		
1947	33,484,669		33,484,669		
1948	19,501,357		19,501,357		
1949	12,707,148		12,707,148		
1950	10,755,942		10,755,942		
1951	142,596 *		142,596 *		
1952	86,610		86,610		
1953	15,290		15,290	\$75,768,963	\$53,038,274
1954	452,501		452,501	56,635,765	39,645,036
1955	732,017	\$187,684	919,701	69,930,183	48,951,128
1956	7,280,477	2,020,975	9,301,452	74,694,145	52,285,902
1957	9,136,895	61,292,352	70,429,247	67,233,972	47,063,780
1958	6,118,368 1/	57,182,448	63,300,816	71,500,447	50,050,313
1959		20,025,827	20,025,827	95,985,584	67,189,909
1960		92,653,681	92,653,681	107,539,419	75,277,593
1961		60,886,812	60,886,812	98,806,944	69,164,861
1962		65,347,054	65,347,054	128,827,847	90,179,493
1963		63,164,602	63,164,602	132,071,019	92,449,713
1964		73,203,933	73,203,933	113,323,654	79,326,558
1965		22,577,216	22,577,216	128,500,000 2/	90,000,000 2/
Subtotal	115,963,017	518,542,584	634,505,601	1,220,817,942	854,622,560
1966 (est.)		37,373,000	37,373,000	128,500,000	90,000,000
1967 (est.)		47,330,600	47,330,600	128,500,000	90,000,000
Total	115,963,017	603,246,184	719,209,201	1,477,817,942	1,034,622,560

* Denotes gain.

1/ Includes subsequent years' liquidation adjustments.

2/ Estimated.

FOREIGN ASSISTANCE PROGRAMS AND
SPECIAL EXPORT PROGRAMS

Purpose Statement

A number of laws provide for the use of the facilities of the Commodity Credit Corporation in carrying out programs for exporting agricultural commodities. These laws also authorize appropriations to be made to cover costs of such programs. When funds become available, advances are made to the Corporation for estimated costs. If the amounts appropriated are not adequate, the Corporation finances authorized costs in excess of the appropriations pending repayment from later appropriations. On the other hand, any amounts paid to the Corporation which are not used in a particular year will reduce appropriations needed for these programs in a later year.

FOREIGN ASSISTANCE PROGRAMS

The following activities are currently being carried out under the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83rd Congress, as amended.

1. Sale of surplus agricultural commodities for foreign currencies (title I)
(7 U.S.C. 1701-1709).--Under this title, the United States accepts foreign currency in payment for surplus farm products. These currencies may then be used for such purposes as agricultural market development, purchase of strategic materials, military equipment, facilities and services for the common defense, payment of U. S. obligations abroad, and military housing, among other specified purposes. If regular appropriations of any Federal agency are available for any unrestricted purpose for which foreign currencies are used, the agency must buy the currency for dollars. These dollars are credited to the Commodity Credit Corporation, and reduce Public Law 480 appropriations.
2. Commodities disposed of for emergency famine relief to friendly peoples (title II)
(7 U.S.C. 1721-1724).--Under this title, surplus stocks of the Commodity Credit Corporation are transferred, on a grant basis. Transfers are made to friendly nations or friendly peoples to meet famine or other emergency relief needs. Grants are also made to promote economic and community development in underdeveloped countries. Up to \$7.5 million each year may be spent to buy foreign currencies accruing under title I. These funds are to meet special costs (other than personnel and administrative) of cooperating groups, such as costs of essential tools and equipment.

The Corporation pays ocean freight on shipments under this title. It also pays ocean freight on shipments of donated commodities under section 416 of the Agricultural Act of 1949, as amended. In addition, it may pay general average contributions (costs arising from shipping disasters) arising out of ocean transport of all foreign assistance donations.

3. Long-term credit and supply contracts (title IV) (7 U.S.C. 1731-1736).--This title provides for sales of U.S. surplus farm products under long-term contracts. The major objective is to stimulate and increase sales for dollars through credit. The purpose is to develop foreign markets and the economies of friendly nations.

	1965 (Actual)	1966 (Estimate)	1967 (Estimate)
2. <u>Photocopy and microfilming services</u>	41,492	45,929	44,000
3. <u>Motion picture, photographic and other visual information services program:</u>			
Motion picture, photographic arts and graphics, and exhibits services	1,716,039	1,720,000	1,720,000
Publication of Department periodical "USDA"	27,103	30,000	30,000
Subtotal	<u>1,743,142</u>	<u>1,750,000</u>	<u>1,750,000</u>
4. <u>Automatic data processing services program</u> -- Centralized automatic data processing system for payroll, personnel, financing, and other services	<u>3,719,749</u>	<u>3,659,300</u>	<u>3,661,300</u>
Total obligations	<u>7,715,456</u>	<u>7,691,229</u>	<u>7,691,300</u>

Responsibility for providing the central services financed through the Fund has been assigned as follows:

Office of Plant and Operations

Central supply services, including stationery, supplies, equipment, forms and local laundry service.

Duplicating services, including printing and reproduction, binding, addressing and mailing, and related services.

Communications services, including local telephone and switchboard service, leased wire service, interdepartmental dial system service, and telegraphic and teletype services.

Assistant to the Secretary for Defense Mobilization Planning

Provides administrative services and communication facilities for the Department's relocation headquarters, periodic civil defense exercises, and conduct of survival training courses.

Office of Personnel

Conduct of Interagency Management Development Programs, including the Seminars in Middle Management and Seminars in Executive Development Programs.

(Continued on next page)

National Agricultural Library

Supplying photocopy and microfilm reproductions of library materials.

Office of Information

Motion and sound picture services.

Still photography services.

Arts and graphics.

Exhibits.

Publication of Departmental employee periodical "USDA".

Office of Management Appraisal and Systems Development

Development and operation of Departmentwide automatic data processing services for payrolling, personnel reporting, and related financial accounting and reporting operations (MODE).

Table I - Total Operating Loans to Individuals, 1965 Fiscal Year, and Operating and Production and Subsistence Loans,
Cumulative From Inception, November 1, 1916 Through June 30, 1965 1/

State and territory	1965 fiscal year															Cumulative - November 1, 1916 through June 30, 1965				
	Initial loans for adequate family farming operations					Initial loans for other family farming operations					All subsequent loans									
	Intensive supervision			Limited supervision		Average amount			Average amount			Average amount			Total loans					
	Number	Amount	Average amount	Number	Amount	Number	Amount	Average amount	Number	Amount	Average amount	Number	Amount	Average amount	Number				Amount	Average amount
U. S. Total.....	10,039	\$98,772,140	\$9,839	2,303	\$10,901,330	\$4,734	11,785	\$36,836,870	\$3,126	48,470	\$153,489,660	\$3,166	72,597	\$300,000,000	1,538,882	\$3,160,111,113	16			
Alabama.....	383	1,735,770	4,532	109	306,840	2,815	895	1,188,150	1,328	1,889	4,922,027	2,606	3,276	8,152,787	84,565	90,289,723				
Alaska.....	0	0	0	1	2,750	2,750	1	15,290	3,822	11	3,822	32,576	3,822	10	50,416	50,416				
Arizona.....	24	266,130	11,101	3	21,100	7,033	35	156,910	4,483	12	251,282	5,981	104	695,722	3,055	11,684,731				
Arkansas.....	485	2,950,100	6,083	70	287,190	4,250	690	1,727,610	2,504	1,717	5,901,851	3,378	2,992	10,877,351	69,419	117,715,900				
California.....	97	1,501,680	15,481	4	28,850	7,212	83	594,620	7,164	244	1,570,829	6,395	428	3,695,979	11,274	42,083,334				
Colorado.....	149	2,014,510	13,520	5	27,900	5,580	81	502,770	6,207	395	2,151,459	5,446	630	4,696,539	21,778	62,990,051				
Connecticut.....	19	196,320	10,333	5	52,000	10,400	31	117,640	3,880	65	273,320	3,328	92	476,880	914	3,230,151				
Delaware.....	2	277,600	138,800	2	11,800	5,900	21	77,820	3,706	23	73,150	3,180	49	189,070	728	1,534,608				
Florida.....	65	2,176,160	33,484	24	4,780	200	200	631,270	3,156	410	1,101,262	2,686	699	2,124,932	22,303	36,368,160				
Georgia.....	321	2,645,160	8,240	130	857,140	6,595	722	1,545,460	2,141	1,695	6,761,370	4,001	2,868	11,829,390	70,435	120,894,289				
Hawaii.....	21	103,990	4,952	4	44,990	11,248	14	23,440	1,674	50	151,200	3,024	89	283,620	2,029	4,685,352				
Idaho.....	208	2,722,000	13,087	13	142,350	10,950	166	1,115,330	6,719	1,331	5,795,760	4,354	1,718	9,775,440	28,775	93,613,769				
Illinois.....	344	3,997,930	11,622	0	0	0	146	715,300	5,105	1,684	6,534,819	3,881	2,174	11,278,049	33,124	104,601,138				
Indiana.....	129	1,095,610	11,595	1	2,000	2,000	90	431,090	4,790	624	2,320,291	3,718	844	4,249,191	18,403	56,224,144				
Iowa.....	488	5,624,900	11,526	1	7,600	7,600	171	1,178,440	6,891	1,877	4,715,790	2,527	2,537	11,556,700	33,519	103,262,524				
Kansas.....	163	1,783,170	10,940	46	232,380	5,052	184	869,210	4,724	751	1,805,977	2,405	1,144	4,690,737	25,948	65,444,103				
Kentucky.....	233	990,210	4,250	93	223,140	2,401	673	1,231,710	1,830	1,481	2,047,452	1,382	2,480	4,492,672	44,202	50,458,226				
Louisiana.....	363	2,332,390	6,425	124	578,440	4,665	312	778,580	2,495	1,333	5,500,080	4,186	2,132	9,269,490	58,490	96,859,299				
Maine.....	259	1,700,080	6,564	45	218,570	4,857	107	288,980	2,779	1,459	5,835,412	3,999	1,867	8,043,042	21,400	63,292,910				
Maryland.....	39	286,640	7,401	13	20,250	1,558	27	55,720	2,064	203	511,879	2,521	282	876,489	9,275	16,127,717				
Massachusetts.....	7	72,470	10,353	5	20,150	4,030	11	33,370	3,034	53	119,810	2,261	76	245,800	1,278	3,285,391				
Michigan.....	97	1,363,160	14,053	5	44,220	8,844	120	891,970	7,433	667	2,212,137	3,313	889	4,511,787	21,700	64,015,844				
Minnesota.....	118	309,780	10,111	78	339,160	3,967	204	1,011,420	4,958	1,239	3,068,476	2,476	1,939	8,617,076	27,913	85,728,209				
Mississippi.....	404	2,036,490	5,041	201	678,070	3,371	1,534	2,132,710	1,390	3,053	5,454,195	1,781	5,202	10,301,465	92,728	110,208,987				
Missouri.....	366	3,658,140	9,995	30	57,100	1,913	378	1,468,090	3,725	1,658	5,071,110	3,059	2,432	10,194,740	48,551	108,357,949				
Montana.....	180	3,264,620	18,137	19	196,430	10,338	79	601,700	7,616	851	4,885,041	5,740	1,129	8,947,791	22,594	78,374,231				
Nebraska.....	305	3,920,990	12,856	5	52,490	10,498	121	941,450	7,781	1,353	4,084,778	3,019	1,784	8,999,708	27,032	75,680,107				
Nevada.....	16	238,980	14,936	0	0	0	12	90,240	7,520	68	477,948	7,029	96	807,168	1,200	6,985,468				
New Hampshire.....	15	209,460	13,991	4	20,590	5,148	3	10,140	3,380	59	133,860	2,269	82	374,050	2,010	5,448,917				
New Jersey.....	75	719,620	9,595	2	15,620	7,915	34	78,870	2,320	171	520,005	3,040	282	1,334,385	7,850	21,543,505				
New Mexico.....	95	1,064,990	11,210	6	28,050	4,675	131	544,420	4,156	351	1,204,290	3,431	583	2,841,750	13,582	35,858,924				
New York.....	284	4,063,500	14,308	18	1,331,930	7,241	1,779	1,192,610	6,663	914	2,447,062	2,677	1,395	7,849,882	20,795	64,993,389				
North Carolina.....	499	2,666,470	5,384	356	1,331,930	3,711	905	1,593,060	1,760	2,461	3,651,686	2,977	4,221	12,963,446	108,877	145,767,992				
North Dakota.....	361	4,538,240	12,571	252	664,190	2,556	167	668,490	4,003	1,659	5,523,619	3,329	2,439	11,374,539	33,044	89,769,963				
Ohio.....	89	892,130	10,021	4	16,160	4,040	55	254,580	4,629	332	900,986	2,714	480	2,063,856	11,932	34,505,135				
Oklahoma.....	157	1,759,560	11,207	40	201,630	5,041	302	1,433,330	4,716	1,860	4,362,047	2,345	2,359	7,756,557	67,719	122,632,664				
Oregon.....	61	801,620	12,525	8	48,380	6,048	87	452,770	5,204	383	1,403,324	3,664	542	2,706,114	11,923	37,701,974				
Pennsylvania.....	105	1,476,430	14,061	3	5,790	1,930	74	387,300	5,234	460	1,289,895	2,804	612	3,159,345	17,298	46,704,348				
Rhode Island.....	1	820,490	820,490	5	45,800	9,160	2	6,600	3,300	6	17,140	2,857	14	74,410	200	571,227				
South Carolina.....	200	1,111,090	5,555	27	111,090	4,114	411	464,460	1,130	810	2,185,780	2,598	1,448	3,584,820	89,911	67,926,299				
South Dakota.....	469	6,444,740	13,741	31	112,660	3,634	125	970,820	7,767	2,113	5,811,682	2,750	2,738	13,339,902	32,548	98,260,378				
Tennessee.....	282	1,296,780	4,599	85	231,240	2,720	404	1,155,960	1,772	1,719	3,326,440	1,935	2,490	5,570,420	13,418	55,533,100				
Texas.....	723	9,913,020	13,739	299	2,947,620	9,858	759	4,161,480	5,483	3,720	16,651,938	4,472	5,501	33,694,059	122,137	318,733,999				
Utah.....	102	1,131,270	11,021	9	82,790	9,199	76	396,190	2,213	571	2,404,327	3,210	768	4,041,577	11,768	36,251,320				
Vermont.....	56	687,380	12,275	6	62,950	10,492	7	40,510	5,787	144	225,120	2,562	183	1,025,960	2,509	6,684,700				
Virginia.....	80	466,230	5,828	50	150,310	3,006	179	295,570	1,651	517	1,114,612	2,152	896	2,007,042	23,543	30,265,703				
Washington.....	158	1,973,780	12,491	4	25,040	6,260	84	576,860	6,867	919	5,102,404	5,714	1,955	7,677,894	18,137	74,424,940				
West Virginia.....	59	361,260	6,163	17	32,150	1,891	244	1,474,520	1,945	637	872,280	1,326	957	1,880,280	13,449	22,534,818				
Wisconsin.....	377	4,160,010	11,035	15	67,720	4,515	177	1,136,840	6,423	1,403	2,155,519	1,955	1,672	7,822,069	28,349	75,004,198				
Wyoming.....	96	1,428,800	14,883	6	38,180	6,363	56	436,670	7,691	651	3,036,591	4,667	809	4,956,241	15,236	46,893,333				
Puerto Rico.....	105	445,370	3,956	20	45,250	2,262	244	270,540	1,109	644	1,630,511	2,532	1,013	2,361,671	39,987	44,759,967				
Virgin Islands.....	0	0	0	0	0	0	0	0	0	0	1,630,500	0	0	0	594	529,075				

1/ Does not include loans from state rural rehabilitation corporation funds.

2/ Subsequent loan amounts include recoverable and non-recoverable loans costs such as advances for taxes and insurance, and filling fees. The average amounts exclude loan costs.

Expenditures and Reimbursements to CCC
Under the National Wool Act

	: F. Y. 1965 : (1964 Mktg. : Yr.) (actual)	: F. Y. 1966 : (1965 Mktg. : Yr.) (est.)	: F. Y. 1967 : (1966 Mktg. : Yr.) (est.)
Volume of Marketings:	:	:	:
Lbs. shorn wool	: 189,046,100	: 192,000,000	: 201,000,000
Cwt. Unshorn lambs	: 10,208,300	: 8,100,000	: 8,100,000
Lbs. Mohair	: - -	: 30,500,000	: 30,500,000
Incentive or support level:	:	:	:
Price per lb. of wool	: 62.0¢	: 62.0¢	: 65.0¢
Price per lb. of Mohair ...	: 72.0¢	: 72.0¢	: 75.8¢
Percent of parity - wool ..	: 79.5	: 78.0	: 78.5
Percent of parity - Mohair	: 68.0	: 66.7	: 66.8
Payments under Act - Rates	:	:	:
Shorn wool per lb.	: 8.8¢	: 14.5¢	: 17.5¢
Unshorn lambs, Cwt.	: 35.0¢	: 58.0¢	: 70.0¢
Mohair, per lb.	: - -	: 7.0¢	: 11.1¢
Amount of payments:	:	:	:
Shorn wool	: \$16,636,057	: \$27,840,000	: \$35,175,000
Unshorn lambs	: 3,572,907	: 4,698,000	: 5,670,000
Mohair	: - -	: 2,135,000	: 3,386,000
Total payments	: \$20,208,964	: \$34,673,000	: \$44,231,000
Administrative expenses	: 2,175,228	: 2,303,000	: 2,562,600
Interest expense	: 193,024	: 397,000	: 537,000
Current year expenditures ...	: \$22,577,216	: \$37,373,000	: \$47,330,600
Unrecovered balance prior	:	:	:
years	: 87,769,762	: 22,577,216	: 37,373,000
Total cumulative unrecovered	:	:	:
balance	: 110,346,978	: 59,950,216	: 84,703,600
Reimbursements to CCC (70%	:	:	:
of preceding calendar year)	:	:	:
1/	: 87,769,762	: 22,577,216	: 37,373,000
Unrecovered balance end of	:	:	:
year	: 22,577,216	: 37,373,000	: 47,330,600
Availability for payments 70%	:	:	:
of duty collected, by	:	:	:
calendar years	: 92,449,713	: 79,326,558	: 90,000,000
Cumulative from 1/1/53	: 764,622,559	: 854,622,559	: 944,622,559
Cumulative payments made	: 468,473,322	: 503,146,322	: 547,377,322
Balance available end of	:	:	:
fiscal year	: 296,149,237	: 351,476,237	: 397,245,237

1/ Reimbursement limited to actual expenditures of preceding fiscal year and prior fiscal year amounts not previously reimbursed.

Payments for 1964 Marketing Year on Wool and Lambs Marketed January 1 through
December 31, 1964 Payments Made April 1 through June 30, 1965

State	Marketings Covered			Adjustment for Lambs				Amount of Payments			Promotion Fund Deductions	Paid Producers							
	Shorn Wool	Unshorn Lambs		Shorn Wool	Unshorn Lambs		Total	Shorn Wool	Unshorn Lambs				Total						
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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Agreements may be entered into for the delivery of surplus farm products over periods of up to 10 years. Agreements are with the governments of friendly nations, including financial institutions acting on behalf of such nations. Agreements may also be made with United States and foreign private traders. Repayments are made in U.S. dollars, with interest. Repayments are made over periods of up to 20 years. Interest is charged from the date of last delivery in each calendar year. Minimum rates of interest are set by law.

SPECIAL EXPORT PROGRAMS

The Commodity Credit Corporation also conducts special export programs. These are:

1. International Wheat Agreement (7 U.S.C. 1641-1642).--The International Wheat Agreement Act of 1949, as amended, authorizes this program. The President, acting through the Corporation, makes available wheat and flour within maximum and minimum prices specified in the agreement. Maximum and minimum prices are set at rates which will provide stable world prices and supplies.

The Corporation makes payments in kind to exporters of wheat and cash payments to exporters of flour. Such payments cover the difference between the export price and the cost of wheat to exporters. If the domestic market price of wheat falls below the agreement price, exporters will make refunds of payments previously received.

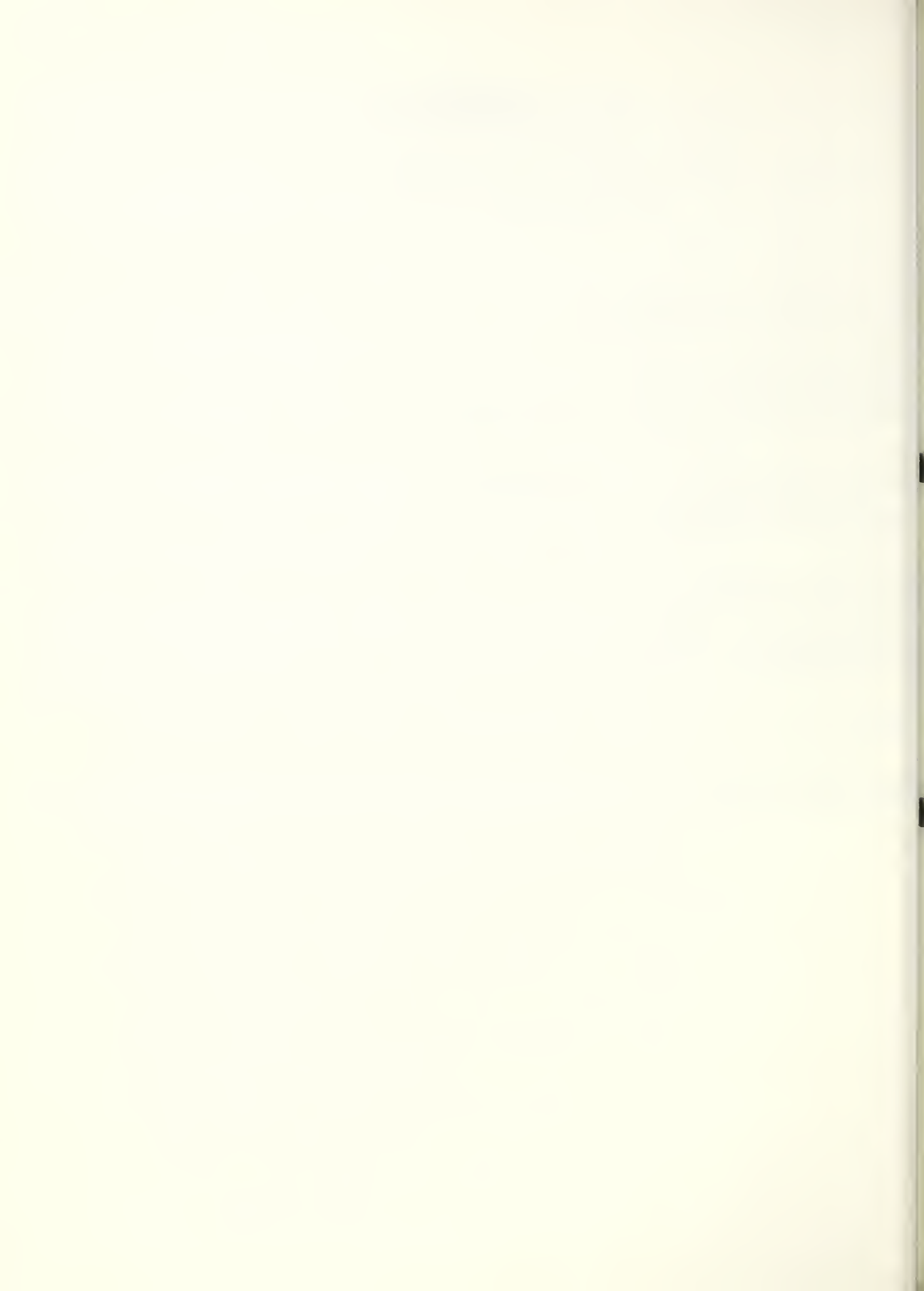
2. Bartered materials for supplemental stockpile (7 U.S.C. 1856).--Under title II of the Agricultural Act of 1956, the Corporation transfers strategic and other materials to the supplemental stockpile. These materials are acquired from the barter and exchange of surplus farm products. This does not cover materials acquired for the national stockpile or for other purposes.

Available Funds
1965 and Estimated, 1966 and 1967

Item	1965	Available, 1966	Budget Estimate, 1967
Foreign Assistance Programs, Public Law 480:			
Disposal of surplus agricultural commodities for foreign cur- rencies (title I)	\$1,862,000,000	\$1,144,000,000	\$1,040,000,000
Commodities disposed of for emergency famine relief to friendly peoples (title II)	220,453,000	298,500,000	200,000,000
Long-term credit and supply contracts (title IV)	235,000,000	215,500,000	377,000,000
Total, Foreign Assistance Programs	2,317,453,000	1,658,000,000	1,617,000,000
Special Export Programs:			
International Wheat Agreement	81,838,000	27,544,000	60,000,000
Processed materials for supple- mental stockpile	92,860,000	- -	13,000,000
Total, Special Export Pro- grams	174,698,000	27,544,000	73,000,000
Total, Foreign Assistance and Special Export Programs	2,492,151,000	1,685,544,000	1,690,000,000

Available Funds
1965 and Estimated, 1966 and 1967

Item	1965	Available, 1966	Budget Estimate, 1967
Foreign Assistance Programs, Public Law 480:			
Sale of surplus agricultural commodities for foreign cur- rencies (title I)	\$1,862,000,000	\$1,144,000,000	\$1,040,000,000
Commodities disposed of for emergency famine relief to friendly peoples (title II)	220,453,000	298,500,000	200,000,000
Long-term credit and supply contracts (title IV)	235,000,000	215,500,000	377,000,000
Total, Foreign Assistance Programs	2,317,453,000	1,658,000,000	1,617,000,000
Special Export Programs:			
International Wheat Agreement	81,838,000	27,544,000	60,000,000
Bartered materials for supple- mental stockpile	92,860,000	- -	13,000,000
Total, Special Export Pro- grams	174,698,000	27,544,000	73,000,000
Total, Foreign Assistance and Special Export Programs	2,492,151,000	1,685,544,000	1,690,000,000



(a) Public Law 480

	Sale of Surplus Agricultural Commodities for Foreign Currencies	Commodities Disposed of for Emergency Famine Relief to Friendly Peoples	Long-term Credit and Supply Contracts	Total
Appropriation Act, 1966 and base for 1967	\$1,144,000,000	\$298,500,000	\$215,500,000	\$1,658,000,000
Budget Estimate, 1967	<u>1,040,000,000</u>	<u>200,000,000</u>	<u>377,000,000</u>	<u>1,617,000,000</u>
Increase or decrease	<u>-104,000,000</u>	<u>-98,500,000</u>	<u>+161,500,000</u>	<u>-41,000,000</u>

PROJECT STATEMENT

Project	1965	1966 (estimated)	Increase or Decrease	1967 (estimated)
1. Sale of sur- plus agricul- tural commodi- ties for foreign currencies (title I)	\$1,862,000,000	\$1,144,000,000	-\$104,000,000	\$1,040,000,000
2. Commodities disposed of for: emergency fam- ine relief to friendly peoples (title II)	220,453,000	298,500,000	-98,500,000	200,000,000
3. Long-term credit and sup- ply contracts (title IV) ...	235,000,000	215,500,000	+161,500,000	377,000,000
Total available or estimate ..	<u>2,317,453,000</u>	<u>1,658,000,000</u>	<u>-41,000,000</u>	<u>1,617,000,000</u>

EXPLANATION OF ESTIMATE

The preceding project statement was prepared on an appropriation basis. The explanation which follows is based on program volume.

1. Sale of Surplus Agricultural Commodities for Foreign Currencies (Title I)

Item	1965	1966 (estimated)	Increase or Decrease	1967 (estimated)
Program:				
Expenses of ship-				
ments:				
CCC stocks	\$162,417,035	\$284,275,000	-\$72,930,000	\$211,345,000
Private stocks ..	1,193,929,272	948,711,000	-23,038,000	925,673,000
Total commodity				
costs	1,356,346,307	1,232,986,000	-95,968,000	1,137,018,000
Ocean transporta-				
tion	148,835,523	98,145,504	-23,373,504	74,772,000
Total, expenses				
of shipments	1,505,181,830	1,331,131,504	-119,341,504	1,211,790,000
Interest	622,328	393,937	-393,937	- -
Total program ...	1,505,804,158	1,331,525,441	-119,735,441(a)	1,211,790,000
Financing:				
Proceeds from sales				
and use of foreign				
currencies and from:				
loan repayments ..	-210,144,095	-213,488,603	-301,397	-213,790,000
Prior year obliga-				
tions financed by				
appropriation	634,303,099	67,963,162	-25,963,162	42,000,000
Obligations financed:				
from appropriations:				
for the succeeding				
fiscal year	-67,963,162	-42,000,000	+42,000,000	- -
Net financing ..	+356,195,842	-187,525,441	+15,735,441	-171,790,000
Total available or				
estimate	1,862,000,000	1,144,000,000	-104,000,000	1,040,000,000

The above schedule reflects a reduction of \$119,735,441 in 1967 program level compared with 1966, as explained below. The appropriation requested is \$104,000,000 less than the 1966 appropriation.

The appropriations for 1965 were \$67,963,162 less than 1965 costs after crediting \$210,144,095 of proceeds from foreign currencies sold and payment of prior year costs of \$634,303,099. The \$67,963,162 was paid in 1966.

The 1966 appropriation is anticipated to be \$42,000,000 less than estimated costs in 1966 after crediting \$213,488,603 of proceeds from foreign currencies sold. The \$42,000,000 is added to the 1967 appropriation request. Sales of currencies estimated at \$213,790,000 in 1967 are credited to current year costs and reduce the appropriation accordingly.

Except for \$50,441,731 due from the Department of Defense for foreign currencies used for military housing construction, payable in future years at the rate of \$4,000,000 a year, the 1967 appropriation request is estimated to cover amounts due the Corporation under this program as of June 30, 1967.

INCREASES AND DECREASES

(a) A decrease of \$119,735,441 in program level in 1967 made up of:

(1) Commodity costs -- A decrease of \$95,968,000 in commodity costs consisting of:

a. A decrease of \$72,500,000 in the estimated cost of financing exports of wheat and upland cotton. This decrease primarily reflects lower export prices on wheat and cotton beginning with the 1966 crop due to elimination of wheat export marketing certificates and equalization payments applicable to cotton exports. The quantity of wheat shipped, however, is expected to increase by 44 million bushels over 1966.

b. A net decrease of \$23,468,000 in other commodity costs due to a net decrease in volume of exports (91,147 metric tons) estimated by the Foreign Agricultural Service. Reductions are expected in:

Rice	(1,944,000 cwt.)
Tobacco	(18,107,400 lbs.)
Miscellaneous non-price supported commodities	(15,846 metric tons)

Increases are expected in:

Beans, dry edible	(25,000 cwt.)
Butter	(5,000,000 pounds)
Cheese	(4,000,000 pounds)
Vegetable oils	(35,000,000 pounds)

(2) A decrease of \$23,373,504 in ocean transportation costs - The estimate anticipates that in 1967 the Corporation will be required to finance ocean freight charges only to the extent of the differential between U.S.- and foreign-flag rates. Public Law 88-638, approved October 8, 1964, provides that foreign countries must finance in dollars freight costs equivalent to foreign-flag rates for shipments required to be made in U.S.-flag vessels. The provision applies to agreements signed after December 31, 1964. The Foreign Agricultural Service has estimated that in fiscal year 1966 only 58% of shipments will relate to such agreements, as compared with 100% estimated in 1967. This is partly offset by an increase of about a million tons to be shipped in 1967.

(3) A decrease of \$393,937 in interest - It is estimated that funds requested will be adequate to cover costs incurred through fiscal year 1967 and will be available for advance to the Corporation on July 1, 1966. Interest savings due to the advance are estimated to offset interest costs which will accrue on the amount due from the Department of Defense for use of Public Law 480 foreign currencies used for foreign military housing projects. No interest cost, therefore, is anticipated in 1967.

Following is a breakdown of expenses of shipments, by commodity, from Commodity Credit Corporation stocks as well as those from private stocks in the fiscal years 1965, 1966 and 1967.

Public Law 480, Title I, Expenses of Shipments

Commodity	Unit of:	CCC Stocks		Private Stocks		Total
		Quantity	Value	Quantity	Value	
FISCAL YEAR 1965						
Feed Grains:						
Corn and meal	:bushel	462,010:	\$1,055,407:	13,421,554:	\$18,850,189:	\$19,905,596
Sorghums, grain ..	:bushel	3,913,813:	7,493,458:	-26,131:	-1,874:	7,491,584
Barley	:bushel	2,799,873:	4,899,815:	1,597,218:	2,126,190:	7,026,005
Oats	:bushel	332,318:	560,561:	-332,318:	-233,855:	326,706
Total feed grains	:	xxx	14,009,241:	xxx	20,740,650:	34,749,891
Wheat and flour ...						
Wheat and flour ...	:bushel	27,687,796:	94,859,998:	420,787,033:	837,282,404:	932,142,402
Rye	:bushel	273,740:	498,202:	-273,740:	-364,576:	133,626
Rice, milled	:cwt.	-	-	11,180,911:	84,464,553:	84,464,553
Rice, rough	:cwt.	51,106:	265,977:	-51,106:	-210,720:	55,257
Beans, dry edible..	:cwt.	-	-	24,436:	177,137:	177,137
Flaxseed						
Flaxseed	:bushel	69,554:	260,828:	-69,554:	-224,660:	36,168
Cotton, extra long						
Cotton, extra long	:bale	18,102:	5,417,919:	2,751:	1,147,084:	6,565,003
Cotton, upland	:bale	239,687:	44,420,349:	463,609:	84,038,984:	128,459,333
Tobacco	:pound	-	-	21,007,985:	14,909,340:	14,909,340
Butter and products	:pound	2,242,657:	1,394,304:	3,464,302:	2,935,520:	4,329,824
Cheese						
Cheese	:pound	1,838,043:	724,434:	247,302:	306,440:	1,030,874
Milk, nonfat dry ..	:pound	3,454,734:	565,783:	15,796,759:	3,725,538:	4,291,321
Cottonseed oil,						
refined	:pound	-	-	145,808,849:	18,532,178:	18,532,178
Soybean oil	:pound	-	-	595,721,215:	75,754,426:	75,754,426
Miscellaneous	:xxx	xxx	-	xxx	50,714,974:	50,714,974
Total commodity costs	:	xxx	162,417,035:	xxx	1,193,929,272:	1,356,346,307
Ocean transportation--Estimated tonnage shipped on U.S. vessels (50% of total average rate) 6,861,173 metric tons @ \$21.69 per ton						
Total expenses of shipments						

a/ Payments to U.S. shippers. \$72,453,486 of this cost represents excess of U.S.-flag vessel rates over foreign-flag vessel rates and is borne by the U.S. Government. Foreign currency deposited in U.S. Treasury is required for balance.

Commodity	Unit of:	CCC Stocks		Private Stocks		Total	
	Measure:	Quantity	Value	Quantity	Value	Quantity	Value
<u>FISCAL YEAR 1966</u>							
Feed grains:	:	:	:	:	:	:	:
Corn	: bushel	1,000,000:	\$2,100,000:	14,000,000:	\$18,900,000	15,000,000:	\$21,000,000
Sorghums, grain..	: bushel	2,000,000:	3,800,000:	- - -	- - -	2,000,000:	3,800,000
Total feed grains:	:	xxx	5,900,000:	xxx	18,900,000	xxx	24,800,000
Wheat	: bushel	60,000,000:	204,000,000:	315,000,000:	693,000,000	375,000,000:	897,000,000
Rice, milled	: cwt.	- - -	- - -	7,344,000:	53,979,000	7,344,000:	53,979,000
Cotton, extra long	:	:	:	:	:	:	:
staple	: bale	15,000:	4,485,000:	- - -	- - -	15,000:	4,485,000
Cotton, upland	: bale	325,000:	58,500,000:	300,000:	54,000,000	625,000:	112,500,000
Tobacco	: pound	- - -	- - -	51,509,400:	38,632,000	51,509,400:	38,632,000
Butter	: pound	10,000,000:	6,200,000:	- - -	- - -	10,000,000:	6,200,000
Cheese	: pound	1,000,000:	390,000:	- - -	- - -	1,000,000:	390,000
Milk, nonfat dry ..	: pound	30,000,000:	4,800,000:	- - -	- - -	30,000,000:	4,800,000
Vegetable oils	: pound	- - -	- - -	590,000,000:	64,900,000	590,000,000:	64,900,000
Other	: xxx	xxx	xxx	xxx	25,300,000	xxx	25,300,000
Total commodity	:	:	:	:	:	:	:
costs	:	xxx	284,275,000:	xxx	948,711,000	xxx	1,232,986,000
Ocean transporta-	: metric	:	:	:	:	:	:
tion:	: tons	:	:	:	:	:	:
On tonnage shipped under agreements signed prior to Jan. 1, 1965--42%--	:	:	:	2,419,079	@ \$24:	:	58,057,896
On tonnage shipped under agreements signed after Dec. 31, 1964--58%--	:	:	:	3,340,634	@ \$12:	:	40,087,608
Total, ocean transportation	:	:	:	5,759,713	xxx:	:	98,145,504 a/
Total expenses of shipments	:	:	:	:	:	:	1,331,131,504

a/ Estimated payments to U.S. shippers based on 50% of total quantity shipped. Includes \$69,116,556 ocean freight differential. Foreign currency deposits in U.S. Treasury required for balance.

Commodity	:Unit of:	CCC Stocks		Private Stocks		Total	
		:Measure:	:Quantity :	:Value :	:Quantity :	:Value :	:Quantity :	:Value :
FISCAL YEAR 1967:							
Feed grains:	:	:	:	:	:	:	:
Corn	:bushel :	: 1,000,000:	\$2,100,000:	14,000,000:	\$18,900,000	: 15,000,000:	\$21,000,000
Sorghums, grain..	:bushel :	: 2,000,000:	3,800,000:	- - :	- -	: 2,000,000:	3,800,000
Total feed	:	:	:	:	:	:	:
grains	:	: xxx	: 5,900,000:	: xxx	: 18,900,000	: xxx	: 24,800,000
Wheat	:bushel :	: 69,000,000:	185,000,000:	350,000,000:	665,000,000	: 419,000,000:	850,000,000
Rice, milled	:cwt. :	: - - :	- - :	5,400,000:	39,690,000	: 5,400,000:	39,690,000
Beans, dry edible..	:cwt. :	: - - :	- - :	25,000:	181,000	: 25,000:	181,000
Cotton, extra long	:	:	:	:	:	:	:
staple	:bale :	: 15,000:	4,395,000:	- - :	- -	: 15,000:	4,395,000
Cotton, upland	:bale :	: - - :	- - :	600,000:	87,000,000	: 600,000:	87,000,000
Tobacco	:pound :	: - - :	- - :	33,402,000:	25,052,000	: 33,402,000:	25,052,000
Butter	:pound :	: 15,000,000:	9,300,000:	- - :	- -	: 15,000,000:	9,300,000
Cheese	:pound :	: 5,000,000:	1,950,000:	- - :	- -	: 5,000,000:	1,950,000
Milk, nonfat dry ..	:pound :	: 30,000,000:	4,800,000:	- - :	- -	: 30,000,000:	4,800,000
Vegetable oils	:pound :	: - - :	- - :	625,000,000:	68,750,000	: 625,000,000:	68,750,000
Other	: xxx	: xxx	: xxx	: xxx	: 21,100,000	: xxx	: 21,100,000
Total commodity	:	:	:	:	:	:	:
costs	:	: xxx	: 211,345,000:	: xxx	: 925,673,000	: xxx	: 1,137,018,000
Ocean transporta-	:	:	:	:	:	:	:
tion (metric tons)	6,310,053 @ \$11.85	:	:	:	:	:	:
Total expenses of shipments	:	:	:	:	:	:	: 74,772,000
	:	:	:	:	:	:	: 1,211,790,000

a/ Payments to U.S. shippers for costs of ocean freight differential on tonnage shipped on U.S.-flag vessels, based on 50% of total quantity shipped. Foreign countries must pay U.S. shippers in dollars at foreign-flag vessel rates.

The rate at which obligations and expenditures are made under this program is influenced by such unpredictable factors as international negotiations, economic conditions in receiving countries, availability of shipping space, and the processing of documents. The Congress has recognized that the amounts provided in the appropriations are not fully controlling since authority under basic law permits the Government to enter into agreements and commit the Government to expenditures which must be financed from subsequent appropriations. On the other hand, if funds appropriated are in excess of amounts actually used in a particular year, such amounts are applied against current year's costs and reduce the subsequent appropriations required.

Explanation of Program

Sale of Surplus Agricultural Commodities for Foreign Currencies (Public Law 480, Title I)

This program provides for sale of surplus U.S. agricultural commodities to friendly countries. Payment is made in local currency of the receiving country. The following describes the actions in the development and execution of programs under this title.

(a) Operational sequence

1. Official request is made by foreign government for a sales program.
2. Proposed sales program may be initiated by foreign government, U.S. field mission, or some other U.S. agency.
3. Information and recommendation for proposed sales program are developed by country team (Agriculture, State Department, and Agency for International Development representatives) and forwarded to State Department; copies are distributed to State units, AID, member agencies of Interagency Staff Committee (ISC), and other interested U.S. agencies.
4. Draft of proposed program, negotiating instructions, and sales agreement are prepared by Agriculture in consultation with other agencies, copies are sent to ISC for its review; approved drafts are sent to State Department and copies to ISC member agencies.
5. Final negotiating instructions are prepared by AID and sent to chief of diplomatic mission in subject foreign country.
6. Sales agreement is negotiated by chief of U.S. diplomatic mission with foreign government; AID/Washington is notified of date set for signing agreement; AID authorizes signing of agreement.
7. Foreign government applies to Agriculture for issuance of purchase authorization; after review and approval, Agriculture prepares and issues purchase authorization to foreign government together with any special provisions applicable thereto.
8. Copies of signed authorizations are mailed to interested suppliers.
9. Shipments of commodities are made through normal commercial channels.
10. Copies of purchase authorization and ocean bill of lading are forwarded by Agriculture to agricultural attache who records operations under the purchase authorization and reports thereon to Agriculture.

(b) Financing sequence

11. There are two methods of financing--(1) letter of commitment and (2) payment by, and reimbursement to, foreign government. Method is designated by foreign government and shown in purchase authorization. Letter of commitment is usual method, and steps described below relate to that method.

12. After issuance of purchase authorization, foreign government applies to CCC for issuance of letter of commitment to a designated U.S. bank and, after acceptance by bank, copy is sent to Washington embassy of the foreign government. Agricultural Stabilization and Conservation Service (ASCS) maintains control of letters of commitment to assure that aggregate amounts of letters do not exceed total of purchase authorization.

13. Foreign importer is authorized by foreign government to arrange with U.S. exporter for purchase and delivery of commodities specified in purchase authorization.

14. Foreign importer negotiates with designated foreign bank for issuance of letter of credit in favor of U.S. exporter.

15. U.S. exporter obtains specified commodities from CCC stock generally through payment-in-kind program or privately owned stock.

16. U.S. exporter arranges shipment and, after shipment, presents draft and supporting documents to, and receives payment from, designated U.S. bank which forwards draft and copy of documents to, and is reimbursed by, Federal Reserve bank. Documents are forwarded by Federal Reserve bank to ASCS commodity office named in letter of commitment. The United States bank sends the originals of the documents to designated foreign bank which turns them over to the importer upon receipt of the foreign currency sales proceeds which it then deposits to account of local U.S. disbursing officer.

17. CCC is responsible for determining that foreign currencies derived from title I sales are deposited to accounts of U.S. disbursing officers. Treasury furnishes Agriculture with documents and other information pertaining to deposits. Agriculture reviews records and furnishes Treasury with audited collection report by sales agreements.

(c) Utilization of sales proceeds

1. Sales agreements specify percentages or amounts of sales proceeds to be used for foreign country purposes and the total for U.S. uses. Amounts specified for foreign country purposes (grants or loans) under section 104(c) (e), and (g) may be expended without charge to appropriations except that grants under (e) may be made only upon waiver by Secretary of State; amounts designated for U.S. use are subject to section 1415 of the Supplemental Appropriations Act, 1953, but this requirement may be waived by Director, Bureau of the Budget. Present policy, however, is to avoid use of waiver.

2. Amounts designated as grants under section 104(c) and as loans under section 104(e) and (g) are reserved by Treasury as collected for use by Department of Defense and Agency for International Development for section 104(c) and Agency for International Development for section 104(e) and (g).

3. Agencies develop special foreign currency programs based on amounts allocated by Bureau of the Budget which receives estimates from Treasury on foreign currency availabilities in excess of estimated requirements for normal activities.

4. Upon approval by Bureau of the Budget, special foreign currency programs are included as separate items in each agency annual appropriation request.

5. Treasury issues foreign currency reservation certificates to the respective agencies for their estimated requirements for normal activities and for the authorized amounts of their special foreign currency programs. These certificates are issued within the limits of foreign currencies actually received in each country and establish control amounts of availability for the respective agencies and their activities. Priorities among agencies in the event that available foreign currencies fall short of agency requests are decided by the Bureau of the Budget.

6. Agencies obligate and expend for their special foreign currency programs on the basis of foreign currency reservation certificates.

7. Treasury maintains accounts for all U.S.-owned foreign currencies acquired without payments of dollars (including foreign currency proceeds from Public Law 480, title I sales) and reports thereon to the Congress semiannually pursuant to section 613(c) of the Foreign Assistance Act of 1961.

Costs incurred - Costs include (a) the Corporation's investment in making Government and commercial stocks available for export, (b) financing the exportation of these commodities, (c) ocean transportation as authorized, and (d) interest on the unrecovered portion requiring CCC financing, if any.

2. Commodities disposed of for emergency famine relief to friendly peoples (Title II):

Item	: 1965	: 1966	: Increase or	: 1967
	:	:(estimated)	Decrease	:(estimated)
<u>Program:</u>	:	:	:	:
Expenses of shipments:	:	:	:	:
Commodity Credit Corporation stocks ...	:\$81,753,581	:\$189,290,000	:-\$11,725,000	:\$177,565,000
Ocean transportation:	:	:	:	:
On above commodities	: 16,959,921	: 39,120,849	: +625,151	: 39,746,000
On Section 416 donations	: 48,499,014	: 52,538,000	: +5,651,000	: 58,189,000
Total, ocean transportation	: 65,458,935	: 91,658,849	: +6,276,151	: 97,935,000
Total, expenses of shipments	: 147,212,516	: 280,948,849	: -5,448,849	: 275,500,000
Purchase of foreign currencies for use in self-help activities	: - -	: 5,000,000	: +2,500,000	: 7,500,000
Total program	: 147,212,516	: 285,948,849	: -2,948,849(a)	: 283,000,000

Item	: 1965	: 1966	: Increase or	: 1967
		:(estimated)	Decrease	:(estimated)
Financing:				
Prior year obligations				
financed by appro-				
priations	\$2,791,635:	- -	- -	- -
Unobligated balance				
brought forward	- -	-\$70,448,849:	-\$12,551,151	-\$83,000,000
Unobligated balance				
carried forward	70,448,849:	83,000,000:	-83,000,000	- -
Net financing	+73,240,484:	+12,551,151:	-95,551,151	-83,000,000
Total available or esti-				
mate	220,453,000:	298,500,000:	-98,500,000	200,000,000

The above schedule reflects a reduction of \$2,948,849 in program level in 1967 compared with 1966, as described below. The appropriation requested is \$98,500,000 less than the 1966 appropriation. The appropriation for 1965 was \$70,448,849 more than the costs incurred through that year and was used for 1966 costs.

The 1966 appropriation exceeded estimated fund requirements as of the close of the year by \$83 million. This amount will remain available and reduces the 1967 appropriation request.

INCREASES AND DECREASES

(a) A net decrease of \$2,948,849 composed of:

(1) A decrease of \$11,725,000 in Foreign Agricultural Service and Agency for International Development estimates of commodities to be shipped in 1967 as follows:

Corn	(-1 million bushels)
Wheat	(-1 million bushels)
Milk, nonfat dry	(-15 million pounds)

(2) An increase of \$6,276,151 in ocean transportation costs based on total tonnage to be shipped under authority of Titles II and III of Public Law 480. The increase results primarily from increased shipments under Title III and higher rates.

(3) An increase of \$2.5 million for purchase of foreign currencies for use in self-help activities. It is estimated that the maximum of \$7.5 million authorized for this purpose will be used in 1967.

Following is a breakdown of expenses of shipments, by commodity, in the fiscal years 1965, 1966 and 1967:

Commodity	Unit of measure	Fiscal Year 1965 *		F.Y. 1966 (estimated)		F.Y. 1967 (estimated)	
		Quantity	Value	Quantity	Value	Quantity	Value
Feed grains:							
Corn	bushel	4,375,683	\$9,799,921	7,800,000	\$17,550,000	6,800,000	\$15,300,000
Corn products	pound	75,308,549	2,764,390	170,000,000	3,700,000	100,000,000	3,700,000
Sorghums, grain	bushel	1,072,777	2,222,546	3,000,000	6,150,000	3,000,000	6,150,000
Total, feed grains	XXX	xxx	14,786,857	xxx	27,400,000	xxx	25,150,000
Wheat	bushel	8,283,513	29,032,910	32,000,000	113,600,000	31,000,000	110,050,000
Wheat flour	pound	427,317,717	20,030,591	500,000,000	23,000,000	500,000,000	19,500,000
Bulgur	pound	64,751,775	3,929,264	75,000,000	4,500,000	75,000,000	4,125,000
Rolled wheat	pound	4,732,298	271,892	5,000,000	290,000	5,000,000	265,000
Cotton, upland	bale	-	-	25,000	4,500,000	25,000	4,375,000
Beans, dry edible ...	cwt.	134,620	1,169,786	-	-	-	-
Butter and products .	pound	240,192	152,183	-	-	-	-
Butter oil	pound	*744,178	*554,989	-	-	-	-
Cheese	pound	-	*204	-	-	-	-
Milk, nonfat dry	pound	28,988,840	4,986,325	50,000,000	8,000,000	35,000,000	5,600,000
Cottonseed oil, refined	pound	18,543,903	3,498,452	-	-	-	-
Vegetable oils	pound	26,817,468	4,450,514	50,000,000	8,000,000	50,000,000	8,500,000
Total commodity costs		xxx	81,753,581	xxx	189,290,000	xxx	177,565,000
Ocean Transportation:	Metric						
Public Law 480	tons at average rate	663,290 @ \$25.57	16,959,921	1,504,495 @ \$26.00	39,120,849	1,445,094 @ \$27.50	39,746,000
Section 416		1,172,682 @ \$41.36	48,499,014	1,230,404 @ \$42.70	52,538,000	1,286,381 @ \$45.23	58,189,000
Total, ocean transportation		xxx	65,458,935	xxx	91,658,849	xxx	97,935,000
Total expenses of shipments ..		xxx	147,212,516	xxx	280,948,849	xxx	275,500,000

* Decrease - prior year adjustment.

The rate at which obligations and expenditures are made under this program is influenced by such unpredictable factors as international negotiations, the occurrence of famine and other emergencies abroad, economic conditions in receiving countries, availability of shipping space, and the processing of documents. The Congress has recognized that the amounts provided in the appropriations are not fully controlling since authority under basic law permits the Government to enter into agreements and commit the Government to expenditures which must be financed from subsequent appropriations. On the other hand, if funds appropriated are in excess of amounts actually used in a particular year, such amounts are applied against current year's costs and reduce the subsequent appropriations required.

Explanation of Program

Commodities Disposed of for Emergency Famine Relief to Friendly Peoples
(Public Law 480, Title II)

Under this title, surplus stocks of the Commodity Credit Corporation are transferred, on a grant basis, to friendly nations or friendly peoples to meet famine or other urgent emergency relief needs. Grants are also made to promote economic and community development in underdeveloped countries. The Agency for International Development (AID) is responsible for programming under this title.

The following describes the actions in the development and execution of programs under this title.

(a) Operational sequence (all financed by CCC)

1. Consists of famine and other emergency relief (section 201) and assistance to needy persons and for economic and community development (section 202). Either may be undertaken in coordination with friendly governments or through voluntary relief agencies or intergovernmental organizations. Section 202 assistance is required to be included in AID country assistance programs. AID missions develop data and make recommendations to AID/Washington for all title II programs.
2. Recommended programs are approved by AID and cleared with Department of State; section 202 programs are also reviewed and approved by ISC.
3. Final approval of program is given by Regional Assistant Administrator, AID, and notification is given to AID mission as to details of approved program and how it is to be administered.
4. AID prepares Commodity Transfer Authorization which is authority to CCC for shipment of commodities. Authorization is signed by a designated representative of the foreign government, voluntary agency, or intergovernmental organization. Copies of authorization are sent to Agriculture.
5. Agriculture furnishes its stocks or arranges for procurement of authorized processed commodities not in stock; for processing, packaging, marketing, and shipping to U.S. ports; and for ocean shipping facilities.
6. Foreign government, voluntary agency, or intergovernmental organization receives commodities at foreign ports and is responsible for all costs thereafter, for the commodities until utilized by consumers, and for furnishing information to U.S. agencies on progress of program.
7. A designated AID mission representative is responsible for administrative review and evaluation of operations of title II program in recipient countries. AID mission controller is responsible for audit of these programs.

Cost Incurred

Costs include:

- (a) The Corporation's investment in making its commodities available for transfer. This includes acquisition at domestic support prices, storage, processing, packaging, inland transportation, and handling charges.
- (b) Ocean transportation on such transfers and on donations under section 416 of the Agricultural Act of 1949, as amended, from U.S. ports to designated ports of entry abroad. The Corporation may also pay transportation to designated points of entry in landlocked countries and charges for general contributions arising out of shipping disasters for all foreign assistance donations.
- (c) Purchase of foreign currencies for use in self-help activities.
- (d) Interest on portion requiring CCC financing, if any.

3. Long-term Credit and Supply Contracts (title IV)

Item	1965	1966 (estimated)	Increase or Decrease	1967 (estimated)
<u>Program:</u>				
Expenses of shipments:				
Commodity Credit				
Corporation stocks	\$19,530,092	\$75,560,000	-\$47,400,000	\$28,160,000
Private stocks	172,876,707	232,917,400	+25,357,600	258,275,000
Total commodity costs	192,406,799	308,477,400	-22,042,400	286,435,000
Ocean transportation	17,820,554	33,951,826	+6,613,174	40,565,000
Total program (expenses of shipments)	210,227,353	342,429,226	-15,429,226(a)	327,000,000
<u>Financing:</u>				
Obligations financed by repayments from foreign governments (including interest)	-8,479,128	-41,263,180	-23,736,820	-65,000,000
Prior year obligations (principal) financed by appropriations	124,026,639	29,333,954	+85,666,046	115,000,000
Obligations financed from appropriations for the succeeding fiscal year	-29,333,954	-115,000,000	+115,000,000	-
Unobligated balance brought forward ...	-61,440,910	-	-	-
Net financing ...	+24,772,647	-126,929,226	+176,929,226	+50,000,000
Total available or estimate	235,000,000	215,500,000	+161,500,000	377,000,000

The preceding schedule reflects an estimated decrease of \$15,429,226 in program level in 1967 compared with 1966, as explained below. The 1967 appropriation request is, however, \$161,500,000 more than the 1966 appropriation due to an increase in financing by CCC of costs in excess of available appropriations as authorized by basic legislation. The appropriations for 1965 were \$29,333,954 less than costs incurred through that year. The 1966 appropriation is anticipated to be \$115,000,000 less than the 1966 costs after crediting estimated repayments of \$41,263,180 from foreign governments and after payment of the above-mentioned costs of \$29,333,954. The \$115,000,000 is added to the 1967 appropriation request. Repayments by foreign governments, estimated at \$65,000,000 in 1967, are credited to current year costs and reduce the appropriation accordingly.

INCREASES AND DECREASES

(a) A net decrease of \$15,429,226 in program level in 1967 made up of:

(1) Commodity costs.--A net decrease of \$22,042,400 in commodity costs consisting of:

a. A decrease of \$31,925,000 in the estimated cost of financing exports of wheat and upland cotton. This decrease primarily reflects lower export prices on wheat and cotton beginning with the 1966 crop due to elimination of wheat export marketing certificates and equalization payments applicable to cotton exports.

b. An increase of \$9,882,600 in other commodity costs due to an increase in volume of exports (85,110 metric tons) estimated by the Foreign Agricultural Service. Increases are expected in:

Corn	(2,000,000 bu.)
Beans, dry edible	(200,000 cwt.)
Tobacco	(1,230,600 lbs.)
Rice, milled	(144,000 cwt.)
Vegetable oils	(15,000,000 lbs.)
Miscellaneous non-price supported commodities	(11,340 M.T.)

(2) An increase of \$6,613,174 in ocean transportation costs due to increased tonnage to be shipped and higher ocean freight rates.

Following is a breakdown of commodity and other costs showing amounts financed by appropriation and the portion which will subsequently be repaid by foreign governments.

Program Costs Showing Amounts Owned by Foreign Governments and Costs Borne by the U.S. Government

Commodity	Total Costs and Recoveries			MEMORANDUM	
	Unit of Measure	Quantity	Value	Owed by Foreign Gov-	Borne by
				ernments and Private:	U.S.
				Trade Entities	Government
			Value	Value	Value
<u>Fiscal Year 1965</u>					
<u>Feed Grains:</u>					
Corn	bushel	11,450,780	\$16,659,971	\$16,634,277	\$25,694
Sorghums, grain	bushel	600,000	925,153	736,500	188,653
Barley	bushel	1,575,268	1,991,473	1,884,999	106,474
Total, feed grains		xxx	19,576,597	19,255,776	320,821
Wheat	bushel	60,914,247	121,340,118	102,092,106	19,248,012
Rice, milled equivalent	cwt.	1,283,006	10,588,419	7,456,383	3,132,036
Beans, dry edible	cwt.	206,161	1,482,160	1,482,160	-
Rye	bushel	-	754	-	754
Cotton, upland	bale	121,695	21,929,874	15,071,389	6,858,485
Tobacco	pound	4,361,627	4,500,107	4,500,107	-
Butter	pound	1,737,191	1,359,967	841,462	518,505
Milk, nonfat dry	pound	48,200	26,568	26,568	-
Vegetable oils	pound	53,260,262	5,515,705	5,515,705	-
Miscellaneous	xxx	xxx	6,086,530	6,083,908	-
Total commodity costs		xxx	192,406,799	162,325,564	2,622
Ocean transportation			17,820,554	10,519,550	30,081,235
Total expenses of shipments			210,227,353	172,845,114	7,301,004
Interest expense			745,110	3,903,820	37,382,232
Total program costs			210,972,463	176,748,934	
Deduct repayments from foreign governments:					
Principal			-7,868,733	-7,868,733	a/ Repayments as received will be applied against current costs and reduce subsequent appropriation requests.
Interest			-2,905,939	-2,905,939	
Subtotal, repayments			-10,774,672	-10,774,672	
Total, net expenditures			200,197,791	165,974,262	
Balance brought forward--due from foreign governments June 30, 1964.			125,577,073	125,577,073	
Subtotal--Amount to be reimbursed by appropriation			325,774,864	xxx	
Deduct: 1963 and 1964 unused appropriations			-61,440,910	xxx	
1965 appropriation			-235,000,000	xxx	
Amount financed by CCC borrowing authority until subsequent ap-			29,333,954	xxx	
propriation			xxx	a/ 291,551,335	
Amount owed by foreign governments			xxx		

				MEMORANDUM			
				:Owed by Foreign Gov-:			
Commodity				:Total Costs and Recoveries:ernments and Private: Borne by			
:Measure :				: Trade Entities :U.S. Government			
				Quantity	Value	Value	Value
Fiscal Year 1966							
Feed Grains:							
Corn	:bushel	:	:	18,000,000:	\$25,050,000:	\$24,300,000	\$750,000
Sorghums, grain	:bushel	:	:	2,000,000:	3,800,000:	2,400,000	1,400,000
Total feed grains	:	:	:	xxx	28,850,000:	26,700,000	2,150,000
Wheat							
Wheat	:bushel	:	:	77,000,000:	183,800,000:	130,900,000	52,900,000
Rice, milled equivalent	:cwt.	:	:	1,152,000:	9,216,000:	6,912,000	2,304,000
Cotton, upland	:bale	:	:	325,000:	58,500,000:	40,625,000	17,875,000
Tobacco	:pound	:	:	5,801,400:	5,801,400:	5,801,400	-
Butter and products	:pound	:	:	3,000,000:	1,860,000:	1,500,000	360,000
Vegetable oils							
Vegetable oils	:pound	:	:	135,000,000:	14,850,000:	14,850,000	-
Other	:xxx	:	:	xxx	5,600,000:	5,600,000	-
Total commodity costs	:	:	:	xxx	308,477,400:	232,888,400	75,589,000
Ocean transportation	:	:	:	xxx	33,951,826:	16,975,913	16,975,913
Total expenses of shipments	:	:	:	xxx	342,429,226:	249,864,313	92,564,913
Interest expense	:	:	:	xxx	-	7,686,532	-
Total program costs	:	:	:	xxx	342,429,226:	257,550,845	-
Deduct repayments from foreign governments:	:	:	:	xxx	-	-	-
Principal	:	:	:	xxx	-35,529,180:	-35,529,180	-
Interest	:	:	:	xxx	-5,734,000:	-5,734,000	-
Subtotal, repayments	:	:	:	xxx	-41,263,180:	-41,263,180	-
Total net expenditures	:	:	:	xxx	301,166,046:	216,287,665	-
Balance brought forward	:	:	:	xxx	29,333,954:	291,551,335	-
Amount to be reimbursed by appropriation	:	:	:	xxx	330,500,000:	xxx	-
Deduct 1966 appropriations	:	:	:	xxx	-215,500,000:	xxx	-
Amount financed by CCC borrowing authority until subsequent appropriation	:	:	:	xxx	115,000,000:	xxx	-
Amount owed by foreign governments	:	:	:	xxx	xxx	a/ 507,839,000	-

a/ Repayments as received will be applied against current costs and reduce subsequent appropriation requests.

Commodity	Unit of Measure	Total Costs and Recoveries	MEMORANDUM		Borne by U.S. Government
			Owed by Foreign Govts	Trade Entities	
		Quantity	Value	Value	Value
<u>Fiscal Year 1967</u>					
<u>Feed Grains:</u>					
Corn	: bushel	20,000,000	\$27,750,000	\$27,000,000	\$750,000
Sorghums, grain	: bushel	2,000,000	3,800,000	2,400,000	1,400,000
Total feed grains	: xxx	xxx	31,550,000	29,400,000	2,150,000
Wheat	: bushel	85,000,000	170,500,000	144,500,000	26,000,000
Rice, milled equivalent	: cwt.	1,296,000	10,368,000	7,776,000	2,592,000
Beans, dry edible	: cwt.	200,000	1,450,000	-	1,450,000
Cotton, upland	: bale	275,000	39,875,000	33,000,000	6,875,000
Tobacco	: pound	7,032,000	7,032,000	7,032,000	-
Butter and products	: pound	3,000,000	1,860,000	1,500,000	360,000
Vegetable oils	: pound	150,000,000	16,500,000	16,500,000	-
Other	: xxx	xxx	7,300,000	7,300,000	-
Total commodity costs		xxx	286,435,000	247,008,000	39,427,000
Ocean transportation			40,565,000	20,282,000	20,283,000
Total expenses of shipments			327,000,000	267,290,000	59,710,000
Interest expense			-	14,651,000	-
Total program costs			327,000,000	281,941,000	-
<u>Deduct repayments from foreign governments:</u>					
Principal			-53,349,000	-53,349,000	-
Interest			-11,651,000	-11,651,000	-
Subtotal, repayments			-65,000,000	-65,000,000	-
Total net expenditures			262,000,000	216,941,000	-
Balance brought forward			115,000,000	507,839,000	-
Amount to be reimbursed by appropriation			377,000,000	xxx	-
Deduct 1967 appropriations			-377,000,000	xxx	-
Amount financed by CCC borrowing authority until					-
subsequent appropriation			-	xxx	-
Amount owed by foreign governments			xxx	a/ 724,780,000	-

a/ Repayments as received will be applied against current costs and reduce subsequent appropriation requests.

The rate at which expenditures and obligations are made under this program is influenced by such unpredictable factors as international negotiations, economic conditions in receiving countries, availability of shipping space, and the processing of documents. The Congress has recognized that the amounts provided in the appropriations are not fully controlling since contract authority under basic law permits the Government to enter into agreements and commit the Government to expenditures which must be financed from subsequent appropriations. On the other hand, if funds appropriated are in excess of amounts actually used in a particular year, such amounts are applied against current year's costs and reduce the subsequent appropriations required.

The following tabulation shows the composition of the amounts owed by the foreign governments and receipts in the fiscal years 1965, 1966 and 1967.

Item	1965	1966 (estimated)	1967 (estimated)
Balance outstanding, start of year:			
Principal	\$124,026,639	\$289,003,020	\$503,338,153
Interest	1,550,434	2,548,315	4,500,847
Total	125,577,073	291,551,335	507,839,000
Cost incurred during year:			
Principal	172,845,114	249,864,313	267,290,000
Interest	3,903,820	7,686,532	14,651,000
Total	176,748,934	257,550,845	281,941,000
Repayments by foreign governments:			
Principal	7,868,733	35,529,180	53,349,000
Interest	2,905,939	5,734,000	11,651,000
Total	10,774,672	41,263,180	65,000,000
Balance due from foreign governments, end of year:			
Principal	289,003,020	503,338,153	717,279,153
Interest	2,548,315	4,500,847	7,500,847
Total	291,551,335	507,839,000	724,780,000

EXPLANATION OF PROGRAM

Long-term Credit and Supply Contracts Public Law 480 (Title IV)

Under this program, sales of U. S. surplus agricultural commodities on a long-term dollar credit basis are made pursuant to agreements entered into between the United States and friendly nations, including private trade, or financial institutions acting on behalf of foreign nations. The program is designed to assist the economic development of underdeveloped countries and to open up new markets now available on only a cash or short-term credit basis in more highly developed countries. Care is taken to avoid displacement of U. S. cash dollar sales or disruption of normal patterns of commercial trade among friendly countries.

Sales agreements provide for delivery of commodities for periods up to ten years. Commodities, which must be surplus at time of exportation, are to be used for consumption within the recipient country. Credit periods of up to twenty years are authorized. Rates of interest may not be set at less than the minimum rate required by the Foreign Assistance Act for dollar repayable development loans.

The following describes the actions in the development and execution of programs under this title.

(a) Operational sequence

1. Substantially the same as for title I sales. Deliveries may be over a period of up to 10 years under any one agreement.

(b) Financing sequence

2. Substantially the same as for title I sales except that foreign currency proceeds are deposited to the account of the foreign government or private trade entity instead of to the account of the U. S. disbursing officer and are to be used by the foreign government for economic development and by the private trade entity to assist in (a) the expansion of dollar exports of U. S. surplus agricultural commodities, (b) the development of foreign markets for U. S. agricultural commodities, and (c) the economic development of the foreign country.

3. CCC reimburses the U. S. bank for payment in dollars to the U. S. exporter and charges the amount paid to an account for the foreign government or private trade entity. The amount is payable in dollars over periods of up to 20 years, with interest, and as payments are received by CCC they are credited to the account of the foreign government or private trade entity.

Costs incurred.--Costs include the following:

a. Payment at contract price for private stocks exported.

b. The differential between domestic market price and the competitive world price on commodities exported from private stocks, to be paid in stocks from Commodity Credit Corporation's price-support inventory or in cash if such stocks are not available.

c. Excess of Commodity Credit Corporation's investment value over domestic market value of Commodity Credit Corporation price-support commodities delivered to exporters.

d. Ocean transportation as authorized.

e. Interest on unrecovered portion requiring Commodity Credit Corporation financing, if any.

Dollar repayments are made by the contracting governments for the export value of commodities shipped, ocean transportation costs, and interest, as specified in the agreement. Commodity Credit Corporation absorbs the excess cost of ocean freight as compared with foreign flag vessel rates on shipments required to be made on U. S. flag vessels in order to comply with the Cargo Preference Act.

(b) International Wheat Agreement

Appropriation Act, 1966 and base for 1967	\$27,544,000
Budget Estimate, 1967	60,000,000
Increase	<u><u>32,456,000</u></u>

PROJECT STATEMENT

Project	1965	1966	Increase	1967 Estimate
International Wheat Agreement:	\$81,838,000	\$27,544,000	32,456,000	\$60,000,000

EXPLANATION OF ESTIMATE

The preceding project statement was prepared on an appropriation basis. The explanation which follows is based on program volume.

Item	1965	1966 Estimate	Increase or Decrease	1967 Estimate
Program:				
Expenses of shipments:				
Commodity Credit Corpora-				
tion stocks	\$2,032,285	\$3,600,000	-\$3,450,000	\$150,000
Private stocks and oper-				
ating costs	32,224,574	70,391,000	-68,216,000	2,175,000
Total, expenses of				
shipments	34,256,859	73,991,000	-71,666,000	2,325,000
Interest	588,140	1,002,529	-622,529	380,000
Total program	34,844,999	74,993,529	-72,288,529	2,705,000
			(1)	
Financing:				
Prior year obligations				
financed by appropriations:	56,838,472	9,845,471	47,449,529	57,295,000
Obligations financed from				
appropriation for suc-				
ceeding year	-9,845,471	-57,295,000	57,295,000	- -
Net financing	46,993,001	-47,449,529	104,744,529	57,295,000
Total available or				
estimate	81,838,000	27,544,000	32,456,000	60,000,000

The above schedule reflects a decrease of \$72,288,529 in 1967 program level from 1966 as explained below. The appropriation requested is \$32,456,000 more than the 1966 appropriation since it includes \$57,295,000 for payment of prior years' costs in excess of 1966 funds available.

(1) A decrease of \$72,288,529 in estimated program costs. The estimate includes only costs through July 31, 1966. Costs after that date are included in the Commodity Credit Corporation.

Following are tabulations of shipments by type and by country:

International Wheat Agreement - Shipments by Type

Item	Fiscal Year 1965			Fiscal Year 1966			Fiscal Year 1967		
	Bushels	Amount	Avg. Cost @ Bushel:	Bushels	Amount	Avg. Cost @ Bushel:	Bushels	Amount	Avg. Cost @ Bushel:
Shipments by type:									
Commercial exports:									
Cash payments--dif-									
ferential to com-									
mercial exporters									
of wheat products	10,815,226	\$3,938,173	\$.36	12,000,000	\$7,200,000	\$.60	1,000,000	\$200,000	\$.20
Payment-in-kind to									
commercial export-									
ers of wheat	110,368,818	28,130,155	.25	140,000,000	62,999,000	.45	13,000,000	1,950,000	.15
Total cost of									
commercial ex-									
ports	121,184,044	32,068,328	.26	152,000,000	70,199,000	.462	14,000,000	2,150,000	.153
Exports of Commodity									
Credit Corporation									
wheat via commer-									
cial exporters ...	8,354,941	2,032,285	.24	8,000,000	3,600,000	.45	1,000,000	150,000	.15
Total commodity									
costs a/	129,538,985	34,100,613	.26	160,000,000	73,799,000	.46	15,000,000	2,300,000	.15
Operating expenses	xxx	156,246	xxx	xxx	192,000	xxx	xxx	25,000	xxx
Total expenses of									
shipments	xxx	34,256,859	xxx	xxx	73,991,000	xxx	xxx	2,325,000	xxx
Interest expense on									
unrecovered balance	xxx	588,140	xxx	xxx	1,002,529	xxx	xxx	380,000	xxx
Total expenses--									
current year									
costs recoverable:									
from appropria-									
tion	xxx	34,844,999	xxx	xxx	74,993,529	xxx	xxx	2,705,000	xxx

a/ Commodity costs represent the difference between world price and domestic market price plus the value of the export marketing certificate.

Importing Country	Fiscal Year 1965 (actual)				Fiscal Year 1966 (Estimated)				Fiscal Year 1967 (Estimated)			
	Bushels		Average		Bushels		Average		Bushels		Average	
	in	thousands	in	per bu.	in	thousands	in	per bu.	in	thousands	in	per bu.
Belgium and Luxembourg	985	\$317	\$.32		1,189	\$643	\$.54		-			
Costa Rica	937	342	.365		1,131	693	.61		-			
Brazil	1,435	285	.20		1,732	579	.33		-			
Dominican Republic	806	233	.29		973	472	.48		-			
Ecuador	83	13	.16		100	26	.26		-			
El Salvador	801	147	.18		967	298	.31		-			
Federal Government of Nigeria	2,135	534	.25		2,577	1,083	.42		-			
Finland	209	56	.27		252	113	.45		-			
Germany	6,860	2,549	.37		8,281	5,171	.62		-			
Greece	131	45	.34		158	91	.57		-			
Guatemala	1,889	497	.26		2,280	1,008	.44		-			
Iceland	129	38	.29		155	77	.50		-			
India	4	2	.38		5	2	.40		-			
Indonesia	2	1	.41		2	2	.55		-			
Ireland	56	8	.15		67	16	.24		-			
Israel	2,399	675	.28		2,895	1,369	.47		-			
Japan	60,152	14,776	.25		72,609	30,034	.41		9,120	\$1,395	\$.15	
Korea	-3,010*	-2,272	-		-	-	-		-			
Liberia	129	43	.33		155	87	.56		-			
Libya	1	a/	.36		1	a/	.46		-			
Netherlands	15,497	4,848	.31		18,706	9,836	.51		2,350	376	.16	
Norway	161	2	b/.01		194	64	.33		-			
Peru	2,979	697	.23		3,595	1,414	.39		-			
Philippines	8,020	1,942	.24		9,680	3,940	.41		1,215	182	.15	
Portugal	4,009	1,304	.32		4,839	2,645	.54		-			

Expenses of Shipments by Countries (Cont'd.)

Importing Country	: Fiscal Year 1965 (actual) : Fiscal Year 1966 (Estimated) : Fiscal Year 1967 (Estimated)									
	: Bushels :		: Amount :		: Average :		: Bushels :		: Amount :	
	in	in	in	in	cost	cost	in	in	in	cost
	thousands:	thousands:	thousands:	thousands:	per bu.:	per bu.:	thousands:	thousands:	thousands:	per bu.:
Rhodesia and Nyasaland	44	\$9	\$20	53	\$18	\$34	-	-	-	-
Saudi Arabia	4,983	1,742	.35	6,014	3,534	.59	-	-	-	-
Sierra Leone	113	50	.44	136	101	.74	-	-	-	-
Switzerland	430	180	.42	519	260	.50	-	-	-	-
United Arab Republic	20	6	.30	24	12	.50	-	-	-	-
United Kingdom Territories	1,897	667	.35	2,289	1,353	.59	-	-	-	-
United Kingdom	5,039	1,517	.30	6,082	3,077	.50	765	\$115	\$115	\$.15
Venezuela	10,213	2,847	.28	12,328	5,776	.47	1,550	232	232	.15
Western Samoa	1	1	.81	1	1	.81	-	-	-	-
Other destinations, each:										
under 1,000 bushels	-	-	-	11	5	.45	-	-	-	-
Total shipments by country	129,539	34,101	.26	160,000	73,799	.46	15,000	2,300	2,300	.15

a/ Less than \$1,000.

b/ Includes sale with no subsidy.

* Prior year adjustments.

The rate at which transfers are made under this program is influenced by such unpredictable factors as international negotiations, availability of storage space and the processing of documents. The Congress has recognized that the amounts provided in the appropriations are not fully controlling, since authority under basic law permits the Department to enter into agreements and commit the Government to obligations and expenditures which must be financed from subsequent appropriations. On the other hand, if funds appropriated are in excess of amounts actually used in a particular year, such amounts are applied against current year's costs and reduce subsequent appropriations.

1. Explanation of program.--The International Wheat Agreement Act of 1962, ratified by ten exporting and thirty-eight importing countries, covers all commercial trade in wheat and wheat flour between member countries. It establishes maximum and minimum prices at \$2.02½ and \$1.62½ a bushel, basis No. 1 Manitoba Northern wheat in bulk in store Fort William/Port Arthur, Canada. Within the price range, importer members purchase specified percentages of their total commercial purchases from member exporters. At the maximum price, exporter members are obligated to furnish any quantities not already purchased up to a moving average equal to importer members' historical commercial purchases during a five-year period.

The United States is an exporting member. Importing members may purchase wheat and wheat flour in the United States from commercial exporters. The Corporation, using its funds and stocks of wheat, finances all United States exports under the Agreement. The net costs of such financing are:

1. Cash payments to commercial exporters for the difference between the domestic market price and the Agreement sales price of wheat flour exported.
2. Payments-in-kind transferred from price-support inventories at domestic market price to commercial exporters who have exported commercial wheat.
3. The differential between the domestic market price and the Agreement sales price of wheat sold from price-support inventories to commercial exporters for export.
4. The differential between the domestic market price and the world price of wheat sold from Corporation-owned inventories for export to importer members.
5. Operating expenses.
6. Interest expense on unrecovered balance requiring Commodity Credit Corporation financing, if any.

(c) Bartered Materials for Supplemental Stockpile

Appropriation Act, 1966 and base for 1967	- -
Budget Estimate, 1967	+\$13,000,000
Increase	<u>+13,000,000</u>

PROJECT STATEMENT

Project	1965	1966	Increase	1967 (estimate)
Bartered material for supplemental stockpile	\$92,860,000	- -	+\$13,000,000	\$13,000,000

EXPLANATION OF ESTIMATE

The preceding project statement was prepared on an appropriation basis. The explanation which follows is based on program volume.

Item	1965	1966 Estimate	Increase or Decrease	1967 Estimate
Program:				
Materials transferred to supplemental stockpile	\$40,646,556	\$33,800,000	+\$7,286,803 (1)	\$41,086,803
Financing:				
Unobligated balance brought forward	-9,673,359	-61,886,803	+33,800,000	-28,086,803
Unobligated balance carried forward	61,886,803	28,086,803	-28,086,803	- -
Net financing	52,213,444	-33,800,000	+5,713,197	-28,086,803
Total available or estimate	92,860,000	- -	+13,000,000	13,000,000

The above schedule reflects an increase of \$7,286,803 in 1967 program level over 1966 as explained below. The appropriation requested is \$13,000,000 more than 1966 when no appropriation was needed as costs in 1966 were paid from 1965 available funds. It is anticipated that \$28,086,803 of 1965 funds will be available to pay most of the 1967 estimated costs.

(1) An increase of \$7,286,803 in materials transferred to the supplemental stockpile. Barter contracts for materials for the supplemental stockpile are estimated at \$41.1 million in 1967 compared with \$33.8 million in 1966, or an increase of \$7.3 million.

A review of barter transactions was made by an interagency committee established by the Secretary. Based on recommendations made by this committee, designed to further competition among, and increase participation by, U. S. companies, the present program practices will be continued. The following shows estimated deliveries to the supplemental stockpile under various contracting periods (in millions):

<u>Year Contracted</u>	<u>1965 Actual</u>	<u>1966 Estimate</u>	<u>1967 Estimate</u>
Prior year contracts	\$40.6	\$20.0	\$10.0
1966	- -	13.8	26.1
1967	<u>- -</u>	<u>- -</u>	<u>5.0</u>
Total	<u>40.6</u>	<u>33.8</u>	<u>41.1</u>

The rate at which transfers are made under this program is influenced by such unpredictable factors as international negotiations, availability of storage space and the processing of documents. The Congress has recognized that the amounts provided in the appropriations are not fully controlling, since authority under basic law permits the Department to enter into agreements and commit the Government to obligations and expenditures which must be financed from subsequent appropriations. On the other hand, if funds appropriated are in excess of amounts actually used in a particular year, such amounts are applied against current year's costs and reduce subsequent appropriations.

Following is a table showing agricultural commodities to be bartered:

Barter of Agricultural Commodities for Foreign Produced Materials, Goods and Equipment

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Commodity	Unit of: :measure:	Fiscal Year 1965		Fiscal Year 1966		Fiscal Year 1967	
		Quantity	Value	Quantity	Value	Quantity	Value
CCC Stocks:	:	:	:	:	:	:	:
Feed Grains:	:	:	:	:	:	:	:
Corn	: bushel:	6,305,026:	\$8,733,058:	10,000,000:	\$13,000,000:	15,000,000:	\$19,500,000
Sorghums, grain ..	: bushel:	4,985,880:	6,024,653:	15,000,000:	17,250,000:	15,000,000:	16,800,000
Barley	: bushel:	842,634:	984,499:	- -	- -	- -	- -
Total feed grains:	:	xxx	15,742,210:	xxx	30,250,000:	xxx	36,300,000
Wheat	: bushel:	12,752,020:	22,718,602:	20,000,000:	34,000,000:	20,000,000:	34,000,000
Cotton, upland	: bale	421,482:	49,682,505:	350,000:	39,812,000:	250,000:	26,875,000
Cotton, extra long staple	: bale	112:	22,214:	5,000:	975,000:	5,000:	975,000
Tobacco	: pound	41,542,722:	29,092,845:	23,800,000:	16,700,000:	25,000,000:	17,500,000
Butter & products ..	:	- -	117:	5,000,000:	1,550,000:	5,000,000:	1,550,000
Milk, nonfat dry ...	: pound	160,000:	35,887:	5,000,000:	730,000:	5,000,000:	730,000
a/ Total CCC stocks :	:	xxx	117,294,380:	xxx	124,017,000:	xxx	117,930,000
Private Stocks:	:	:	:	:	:	:	:
Vegetable oils	: pound	153,941,000:	20,022,470:	155,000,000:	20,150,000:	155,000,000:	20,150,000
Total	:	xxx	137,316,850:	xxx	144,167,000:	xxx	138,080,000

a/ Amounts included in CCC price-support sales proceeds.

Following is an estimated distribution of the foregoing barter by type (in millions):

	1965	1966	1967
For supplemental stockpile (this appropriation)	\$40.6	\$33.8	\$41.1
For offshore procurement (paid by other agencies)	96.7	110.4	97.0
Total	<u>137.3</u>	<u>144.2</u>	<u>138.1</u>

Summary of operations, 1965. Following are the materials transferred:

<u>Material</u>	<u>Value</u>
Aluminum Oxide - abrasive grade	\$7,809*
Antimony metal	5,744
Asbestos - amosite	2,000,141
Asbestos - chrysotile	157,467
Asbestos - crocidolite	2,435,688
Bauxite	8,206,158
Beryl ore	66,101
Celestite	410,485
Chromium metal	1,051,815
Ferrochrome - high carbon	949,689
Ferromanganese	22,661,726
Fluorspar - acid grade	523
Iodine, crude	350,410
Manganese metal - electrolytic	832,186
Manganese ore - chemical grade	77
Manganese ore - natural battery	499,383
Mica	799,120
Selenium	230,327
Thorium nitrate	<u>2,675*</u>
Total materials transferred	40,646,556
1964 funds applied to 1965 costs	-9,673,359
1965 funds not applied to program	<u>61,886,803</u>
Appropriation	<u>92,860,000</u>

* Prior year adjustment.

LANGUAGE CHANGES

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Language Changes

AGRICULTURAL RESEARCH SERVICE

The 1967 Budget estimates include the proposed changes in appropriation language listed and explained below. New language is underscored and deleted matter is enclosed in brackets.

Salaries and Expenses

Research: For research and demonstrations * * * *; and for acquisition of land by donation, exchange, or purchase at a nominal cost not to exceed \$100; [\$123,622,500] \$107,980,000,
1 of which not to exceed [\$11,418,000] \$1,637,000 shall remain avail-
2&3 able until expended for [plans,] construction [, alteration, and improvement] of facilities, without regard to limitations contained herein, and in addition not to exceed [\$18,100,000] \$25,000,000 from funds available under section 32 of the Act of August 24, 1935, pursuant to Public Law 88-250 to be transferred to and merged with this appropriation: * * * *

Plant and animal disease and pest control: For operations and measures, not otherwise provided for, to control and eradicate * * * *, including expenses pursuant to the Act of February 28, 1947, as amended, (21 U.S.C. 114 b - c), [\$74,299,500] \$69,748,000, * * * * necessary to meet emergency conditions: Provided, That no funds shall be used to formulate or administer a brucellosis eradication program for the current fiscal year that does not require minimum matching
4 by any State of at least 40 per centum: Provided further, That \$100,000 of the amount appropriated by this paragraph shall remain available until expended for the planning of facilities, without regard to limitations contained herein: Provided further, That * * * *

The first change authorizes construction of certain facilities, without regard to related limitations in the preamble, and makes the funds available until expended in the event it should be necessary to readvertise for bids or make other changes which would cause a delay in awarding a contract. These items for which planning funds were provided in the 1966 Appropriation Act are as follows:

1. Construction of initial facilities at U. S. Meat Animal Research Center, Nebraska \$1,370,000
2. Construction of facilities for range beef cattle research at the U. S. Range Livestock Station, Miles City, Montana, 267,000
- Total, special limitation \$1,637,000

The second change deleted the word "plans" which is not necessary in 1967. The estimates do not include any funds for planning any major research facilities.

The third change deletes the words "alteration and improvement" in connection with research facilities. These words are unnecessary because the 1967 Estimates propose only construction of research facilities at Clay Center, Nebraska and Miles City, Montana.

The fourth change would authorize the use of \$100,000 under "Plant and animal disease and pest control" to be used for plans for relocation of the present animal quarantine station at Clifton, New Jersey. P.L. 88-592 (78 Stat. 939), approved September 12, 1964, authorizes the sale of the present Federally-owned quarantine station to the City of Clifton for public purposes. The Act provides that proceeds from the sale shall be available until expended for establishment of a new quarantine station.

The language change proposed would provide for the additional funds needed for preparation of final architect drawings for construction of the new station, and make them available for use until expended in case they cannot be completed prior to June 30, 1967. This would insure orderly progress in relocation of the present Clifton Station when actual site selection and sale of the present property are completed.

Final consummation of the sale transaction and receipt of the proceeds are expected to require considerable time for completion. Also, the Act requires that the Congress must be notified in writing of the facts about a proposed relocation site at least 60 days before a commitment for a new site is made.

Foreign Currency Authorization Program

[Salaries and expenses (Special Foreign Currency Program)]

[For payments, in foreign currencies owed to or owned by the United States for market development research authorized by section 104(a) and for agricultural and forestry research and other functions related thereto authorized by section 104(k) of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704 (a)(k)), to remain available until expended, \$3,000,000: Provided, That this appropriation shall be available in addition to other appropriations for these purposes, for payments in the foregoing currencies: Provided further, That funds appropriated herein shall be used for payments in such foreign currencies as the Department determines are needed and can be used most effectively to carry out the purposes of this paragraph: Provided further, That not to exceed \$25,000 of this appropriation shall be available for payments in foreign currencies for expenses of employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (5 U.S.C. 574), as amended by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a).]

For expenses of carrying out programs of the Agricultural Research Service, as authorized by law, foreign currencies owned by the United States are authorized to be used, pursuant to section 1415 of the Act of July 15, 1952 (31 U.S.C. 724), without fiscal year limitation, in the following amounts:

49,300,000	Guinean francs;	38,970,120	Indian rupees;
17,775,000	Israeli pounds;	7,218,000	Pakistan rupees;
97,824,000	Polish zlotys;	86,600	Egyptian pounds;
104,200	Tunisian dinars; and	4,375,000,000	Yugoslav dinars:

Provided, That such currencies shall be in addition to funds otherwise available for such programs: Provided further, That any of the above amounts may be increased by not more than 15 percent by transfer of the equivalent value from the amounts specified for any other currency or currencies, but the amount for any currency may not be decreased by more than 15 percent: Provided further, That such currencies may be used for contracts and grants for laboratories and facilities for conducting research relating to agriculture and forestry under such terms and conditions as the Secretary of Agriculture may prescribe, for transfer to the Department of State for use pursuant to 7 U.S.C. 1704(1), and for expenses of employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (5 U.S.C. 574), as amended by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a).

The proposed changes would delete existing language providing funds for purchase of excess currencies to finance the foreign agricultural research program; and would substitute new language to establish a new authorization procedure for the use of foreign currencies, primarily those generated under Title I of Public Law 480 for agricultural research.

For several years foreign currencies for this work have been purchased with dollars appropriated under the former appropriation item Salaries and Expenses (Special Foreign Currency Program). The new procedure eliminates the requirement for a dollar appropriation to purchase these currencies. Beginning in 1967 expenditures would be made directly from currencies held by the Treasury in accordance with the authorization in the annual appropriation act.

The dollar equivalent of these currencies, based upon exchange rates in effect as of September 30, 1965, is \$23,788,000.

An explanation of the use of these funds begins on P. 145 of Volume 1 of these justifications.

COOPERATIVE STATE RESEARCH SERVICE

The 1967 budget estimates include proposed changes in appropriation language as explained below. New language is underscored and deleted matter is enclosed in brackets.

Payments and Expenses

- 1&2 For payments to agricultural experiment stations, for grants for cooperative forestry and other research, [for basic scientific research, and for facilities,] and for other expenses, including * * * for grants for cooperative forestry research under the Act approved October 10, 1962 (16 U.S.C. 582a-582a-7); [and not to exceed \$400,000 from funds available under section 32 of the Act of August 24, 1935, pursuant to Public Law 88-250 to be transferred and merged with this appropriation;] [\$1,600,000] \$4,910,000 in addition to funds otherwise available for contracts and for grants for [support of basic] scientific research [under the Act approved September 6, 1958 (42 U.S.C. 1891-1893); \$2,000,000 for grants for facilities under the Act approved July 22, 1963 (77 Stat. 90)] under the Act of August 4, 1965 (79 Stat. 431);....

Section 2 of the Act to facilitate the work of the Department of Agriculture (P.L. 89-106, 79 Stat. 431) provides broad authority for the Secretary of Agriculture to make grants for research. The Congress in passing this Act specifically stated that grants for applied research were authorized under the Act. The 1967 estimates propose the appropriation of \$4,910,000 for these grants, including \$970,000 for grants for land-grant colleges and universities not receiving Hatch Act funds presently.

The first change in language proposes insertion of the words "and other" to cover both applied and basic scientific research.

The second change deletes the specific reference to basic scientific research along with the appropriation for grants for facilities. Funds are being requested for both basic and applied research as explained above. No funds are being requested for facilities in 1967.

The third change proposes deletion of the language providing for transfer of funds appropriated by section 32 of the Act of August 24, 1935, since no transfer is requested in 1967.

The fourth change broadens the language to include applied research, through reference to the enabling Act mentioned above. The word "contracts" has been added under the authorization provided in the Research and Marketing Act of 1946 to enable the Cooperative State Research Service to make such contracts in support of scientific research.

SOIL CONSERVATION SERVICE

The 1967 budget estimates include the proposed changes in appropriation language listed and explained below. New language is underscored and deleted matter is enclosed in brackets.

Watershed Protection

* * * * Provided further, That not to exceed [~~\$5,500,000~~] \$5,000,000, together with the unobligated balance of funds previously appropriated for loans and related expense, shall be available for such purposes.

[For an additional amount for "Watershed protection", \$140,000, to remain available until expended.]

The first change would decrease the limitations for loans and related expense from \$5,500,000 to \$5,000,000. This decrease is discussed in the explanation of the estimate for "Watershed protection" (page 272 of Vol. I of these Explanatory Notes).

The second change deletes language included in the Supplemental Appropriation Act, 1966, which provided funds for the initiation of a comprehensive framework study of the water and related land resources of the North Atlantic Region. Funds for continuing this study are included in the budget request for 1967.

Resource Conservation and Development

* * * * Provided, That not to exceed [~~\$1,500,000~~] \$500,000 of such amount shall be available for loans and related expenses under subtitle A of the Consolidated Farmers Home Administration Act of 1961, as amended * * * *

This change proposes a decrease in the amount for loans and related expense from \$1,500,000 to \$500,000. This decrease is discussed in the explanation of the estimate for "Resource conservation and development" (page 349 of Vol. I of these Explanatory Notes).

CONSUMER AND MARKETING SERVICE

The 1966 budget estimates include the proposed changes in appropriation language listed and explained below. New language is underscored and deleted matter is enclosed in brackets.

Consumer Protective, Marketing, and Regulatory Programs

- For expenses necessary to carry on services related to consumer protection, agricultural marketing and distribution, and regulatory programs, as authorized by law, and for administration
- 1 and coordination of payments to States; [and this appropriation shall be available for] including field employment pursuant to section 706(a) of the Organic Act of 1944 (5 U.S.C. 574), and
- 2 not to exceed \$25,000 [shall be available] for employment [at
- 3 rates not to exceed \$75 per diem] under section 15 of the Act
- 4 of August 2, 1946 (5 U.S.C. 55a), [in carrying out section 201(a) to 201(d), inclusive, of title II of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1291) and section 203(j) of the Agricultural Marketing Act of 1946; \$76,192,000] \$86,265,000.
- 5 [For an additional amount for "Consumer protective, marketing, and regulatory programs", \$2,000,000.]

The first and second changes are to simplify the appropriation language authorizing employment of consultants and other temporary personnel.

The third change is to delete the dollar limitation on per diem for employment of experts.

This limitation is no longer required since pay scales for consultants and experts are specified in the Government Employees Salary Act of 1964. The present maximum under this Act is \$83.04 per diem.

The fourth change is to delete the reference to title II of the Agricultural Adjustment Act of 1938. This deletion would allow employment of experts in other Consumer Protective, Marketing, and Regulatory programs such as under the Packers and Stockyards Act and make the Consumer and Marketing Service authorization in this respect consistent with that of other agencies in the Department.

The fifth change is to delete the language provided in the Supplemental Appropriation Act, 1966.

School Lunch Program

For necessary expenses to carry out the provisions of the National School Lunch Act, as amended (42 U.S.C. 1751-1760), [\$157,000,000], \$138,000,000, including [\$2,000,000] \$6,500,000 for special assistance to needy schools, as authorized by law:***

The proposed change would provide an increase in the limitation for special assistance to needy schools pursuant to 42 U.S.C. 1751-1760. This change is discussed under the justification for the school lunch program (page 137 of Volume 2 of these Explanatory Notes).

Food Stamp Program

- For necessary expenses of the food stamp program pursuant to the
- 1 Food Stamp Act of 1964, [\$100,000,000, of which \$20,000,000 shall be derived from amounts appropriated under this head for the previous fiscal year, which amount shall be transferred to and
 - 2 merged with this appropriation] \$150,000,000 to be provided from funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c).

The first change deletes the reappropriation authority which provided for the use of unobligated fiscal year 1965 funds. It is not anticipated that this authority will be required in 1967.

The second change authorizes the transfer of section 32 funds to this account in an amount not to exceed \$150 million. As the Food Stamp Program expands into areas having a direct distribution program or contemplating such a program, the use of section 32 funds for direct distribution in those areas is not necessary.

FOREIGN AGRICULTURAL SERVICE

The 1967 budget estimate proposes deletion of the following language:

Salaries and Expenses (Special Foreign Currency Program)

Amounts heretofore appropriated under this head shall be available
for payment in any foreign currencies owed to or owned by the
United States.

The deletion is proposed since the 1966 language applies to all prior appropriations under this head, and no new appropriation is requested for fiscal year 1967. Thus, continuation of the language is unnecessary.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The 1966 budget estimates include proposed changes in appropriation language as follows. New language is underscored and deleted matter is enclosed in brackets.

Expenses, Agricultural Stabilization and Conservation Service

For necessary administrative expenses of the Agricultural Stabilization and Conservation Service, including expenses to formulate and carry out programs authorized by title III of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1301-1393); Sugar Act of 1948, as amended (7 U.S.C. 1101-1161); sections 7 to 15, 16(a), 16(d), 16(e), 16(f),
1 [16(h),] and 17 of the Soil Conservation and Domestic Allotment Act, *****

This change deletes the reference to section 16(h) of the Soil Conservation and Domestic Allotment Act, as amended, which authorized the 1964-5 feed grains program. This reference is no longer needed since this program has been completed.

Agricultural Conservation Program

For necessary expenses to carry into effect the program authorized in sections 7 to 15, 16(a), and 17 of the Soil Conservation and Domestic Allotment Act, approved February 29, 1936, as amended (16 U.S.C. 590g-590(o), 590p(a), 590q), including not to exceed \$6,000 for the preparation and display of exhibits, including such displays at State, interstate, and international fairs within the United States, \$220,000,000, to remain available until December 31 of the next succeeding fiscal year for compliance with the programs of soil-building and soil- and water-conserving practices authorized under this head in the Department of Agriculture and
1-2 Related Agencies Appropriation Acts, [1964] 1965 and [1965] 1966, carried
3-4 out during the period July 1, [1963] 1964, to December 31, [1965] 1966, inclusive: Provided, That none of the funds herein appropriated shall be used to pay the salaries or expenses of any regional information employees or any State information employees, but this shall not preclude the answering of inquiries or supplying of information at the county level to individual farmers: Provided further, That no portion of the funds for the current year's program may be utilized to provide financial or technical assistance for drainage on wetlands now designated as Wetland Types 3 (III), 4 (IV), and 5 (V) in United States Department of the Interior, Fish and Wildlife Service Circular 39, Wetlands of the United States, 1956: Provided further, That necessary amounts shall be available for administrative expenses in connection with the formulation and administration of
5 the [1966] 1967 program of soil-building and soil- and water-conserving practices, including related wildlife conserving practices, under the Act
6 of February 29, 1936, as amended (amounting to [\$220,000,000] \$100,000,000, excluding administration, *****

The first five changes update references to the years involved.

The sixth change would reduce the advance authorization for the 1967 program to \$100,000,000. This amount will be adequate to permit the Government to share with farmers the cost of a substantial number of needed conservation practices that will have minimal stimulating effect on the output of farm commodities. The proposed reduction does not affect the amount of funds required to be appropriated for the fiscal year 1967, since the appropriation for the 1967 program will be requested in the fiscal year 1968.

Appalachian Region Conservation Program

For necessary expenses, not otherwise provided for, to carry into effect section 203 of the Appalachian Regional Development Act of 1965, \$4,375,000, to remain available until expended.

This change is necessary to make provision for financing a cost-sharing assistance program for land stabilization, conservation, and erosion control in the Appalachian region. Funds for financing this program in fiscal years 1965 and 1966 were provided in the Second Supplemental Appropriation Act, 1965, P.L. 89-16.

This is a cooperative program and the timing of financial requirements is dependent upon the development of plans by States and their approval by the Appalachian Regional Commission. For this reason, it is essential that funds remain available without fiscal year limitation so that the program can proceed in an orderly manner in the event any planned segment is not completed by the end of the year.

The justification of the Appalachian Region Conservation Program will be found in Volume 2 of these Explanatory Notes.

Cropland Adjustment Program

For necessary expenses to carry into effect a Cropland Adjustment Program as authorized by the Food and Agriculture Act of 1965, including reimbursement to Commodity Credit Corporation, \$200,000,000: Provided, That agreements entered into during the fiscal year 1967 shall not require payments during the calendar year 1967 exceeding \$215,000,000, plus any amount by which agreements entered into in prior fiscal years require payments in amounts less than authorized for such prior fiscal years.

This change is necessary to provide funds for the cropland adjustment program authorized in the Food and Agriculture Act of 1965. In fiscal year 1966 this program was financed by an advance from the Commodity Credit Corporation.

A proviso limiting additional agreements under the 1967 program is included in the language. The limitation has been proposed at \$10,000,000 below the annual level authorized in the Food and Agriculture Act of 1965. The proviso is included so that after the first year (1966) the Congress will have an opportunity, through the Appropriations Committees, to review and establish the maximum level of the program for the succeeding year before additional agreements are entered into by the Secretary.

RURAL COMMUNITY DEVELOPMENT SERVICE

The 1967 budget estimates include the proposed change in appropriation language explained below. New language is underscored and deleted matter is enclosed in brackets.

Salaries and Expenses

For necessary expenses, not otherwise provided for, of the Rural Community Development Service *** Provided, That this appropriation shall be available for field employment pursuant to the second sentence of Section 706(a) of the Organic Act of 1944 (5 U.S.C. 574), and not to exceed \$3,000 / \$15,000 shall be available for employment under section 15 of the Act of August 2, 1946 (5 U.S.C. 55a).

The proposed change would increase the limitation on funds available for the hiring of experts and consultants from \$3,000 to \$15,000. With the increasing need for emphasis on the strengthening of community leadership in effecting economic development of the rural areas of the Nation, the need for consultant services for reviews and other purposes increases. The expanded program of the Rural Community Development Service in providing "outreach" services needed to assure rural citizens of a fully equal opportunity to participate in all services and benefits of the Federal Government for which they are eligible, makes the need for increase necessary. The use of consultants would partially offset the need for hiring additional permanent technical staff in these areas.

OFFICE OF INFORMATION

The 1967 budget estimates include the proposed change in appropriation language explained below. Deleted matter is enclosed in brackets.

Salaries and Expenses

[For an additional amount for "Salaries and expenses", \$200,000 for part 2 of the Annual Report of the Secretary for 1965 (known as the Yearbook of Agriculture) as authorized by section 73 of the Act of January 12, 1895 (44 U.S.C. 241) including not less than 232,250 copies for the use of the Senate and House of Representatives.] * * *

This change would eliminate the non-recurring language added in the 1966 Supplemental Appropriation Act which provided funds for reprints of the 1965 Yearbook of Agriculture. These reprints have been ordered and received and this language is not needed in 1967.

NATIONAL AGRICULTURAL LIBRARY

The 1967 budget estimates propose deletion of appropriation language as explained below. Deleted matter is enclosed in brackets.

[Library Facilities]

[For construction and furnishing of facilities for the National Agricultural Library, to remain available until expended, \$7,000,000 with which shall be merged the unexpended balance of funds heretofore appropriated under this head.]

This change deletes the language included in the 1966 Appropriation Act which provided \$7,000,000 for constructing and partially furnishing a new library facility. It is expected that the contract for this construction will be awarded about April, 1966.

GENERAL ADMINISTRATION

The 1967 budget estimates include the proposed change in appropriation language explained below. Deleted matter is enclosed in brackets.

Salaries and Expenses

For necessary expenses of the Office of the Secretary of Agriculture and for general administration of the Department of Agriculture, [including expenses of the National Agricultural Advisory Commission;] repairs and alterations [;], and other miscellaneous supplies ***.

This change would eliminate the language relating to the expenses of the National Agricultural Advisory Commission since that Commission has been abolished. Therefore, the language is no longer needed.

RURAL ELECTRIFICATION ADMINISTRATION

The 1967 budget estimates include the proposed change in appropriation language explained below. New language is underscored and deleted matter is enclosed in brackets.

Loan Authorizations

- 1 For loans *** section 3(a) of said Act, and to remain available without fiscal year limitation in accordance with section 3(e) of
- 2 said Act, as follows: Rural electrification program, [\$365,000,000, of which \$60,000,000 shall be placed in reserve to be borrowed under the same terms and conditions to the extent that such amount is required during the current fiscal year under the then existing conditions for the expeditious and orderly development of the rural electrification program] \$220,000,000; and rural telephone
- 3 program, [\$97,000,000, of which \$15,000,000 shall be placed in reserve to be borrowed under the same terms and conditions to the extent that such amount is required during the current fiscal year under the then existing conditions for the expeditious and orderly development of the rural telephone program] \$85,000,000.

The first change proposes that unobligated balances of the loan authorizations shall remain available beyond the current fiscal year as authorized by Section 3(e) of the Rural Electrification Act of 1936, as amended.

The Supplemental Appropriation Act, 1966, includes the following language:

"No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein."

The House report on the Bill (H. Report No. 1162, p. 54) states that a similar provision will be carried in future appropriation bills. Since this would limit funds to one year even though basic legislation allows funds to be carried forward, the new language is necessary to insure that the authorization remains available as provided in the basic law.

The second and third proposed changes would eliminate the contingency reserve for both the electric and telephone programs from the 1967 Appropriation Act. A contingency reserve is not needed in that the estimates include the total amounts estimated to be required during 1967.

FARMERS HOME ADMINISTRATION

The 1967 budget estimates include the proposed changes in appropriation language listed and explained below. New language is underscored and deleted matter is enclosed in brackets.

Rural Housing Direct Loan Account

For direct loans and related advances pursuant to section 518(d) of the Housing Act of 1949, (79 Stat. 500), \$15,000,000 shall be available from funds in the rural housing direct loan account.

The proposed language provides for an authorization for making direct loans from the Rural Housing Direct Loan Account as established by section 1003(a) of the Housing and Urban Development Act of 1965, P.L. 89-117.

Rural Housing for the Elderly Revolving Fund

/Rural Housing for the Elderly Revolving Fund/

/For loans pursuant to section 515(a) of the Housing Act of 1949, as amended (42 U.S.C. 1485), including advances pursuant to section 335(a) of the Consolidated Farmers Home Administration Act of 1961 (7 U.S.C. 1985) in connection with security for such loans, \$2,500,000./

This change will delete the language and amount contained in the Department of Agriculture and Related Agencies Appropriation Act, 1966. The Rural Housing for the Elderly Revolving Fund activity has been transferred to the Rural Housing Direct Loan Account established under P.L. 89-117.

Rural Housing Insurance Fund

/Rural Housing Insurance Fund/

/For the Rural Housing Insurance Fund, created by section 517(e) of the Housing Act of 1949, as amended, \$100,000,000, to remain available until expended./

This change will delete the language and non-recurring amount contained in the Supplemental Appropriation Act, 1966 for the establishment of the Rural Housing Insurance Fund under P.L. 89-117.

Rural Housing Grants

For grants pursuant to section 504(a) of the Housing Act of 1949, as amended (42 U.S.C. 1474), \$4,000,000, to remain available until expended.

The proposed language provides for the appropriation of \$4,000,000 of the funds authorized by section 513(b) of title V of the Housing Act of 1949, as amended, for grants to individuals for repairing and improving farm and other rural dwellings and farm service buildings. The appropriation is a part of the authorized ceiling of \$50,000,000 which recognizes that a program of this kind

moves slowly and gathers momentum in carrying forward the necessary and helpful work intended. Therefore, it is necessary that funds carry forward. This would permit the planned program to proceed in the event it may not be completed by the end of the year.

Rural Housing for Domestic Farm Labor

- 1 For financial assistance /to public nonprofit organizations/ for housing for domestic farm labor, pursuant to section 516 of the
- 2 Housing Act of 1949, as amended (/78 Stat. 796-798/ 42 U.S.C. 1486), \$3,000,000, to remain available until expended.

The first change will delete the reference to "Public nonprofit organizations". Financial assistance to provide low-rent housing for domestic farm labor is authorized by Section 516 (42 U.S.C. 1486) of title V, Housing Act of 1949, as amended. Subsection (a) provides "Upon the application of any state or political subdivision thereof, or any public or private nonprofit organization, the Secretary is authorized to provide financial assistance for the provision of low-rent housing and related facilities for domestic farm labor, ***."

In order to clarify the question of eligibility and make the appropriation language comparable with the law the words "to public nonprofit organizations" appearing in the 1966 appropriation language have been deleted.

The second change will substitute the U.S. Code citation for the Stat. reference.

Salaries and Expenses

- For necessary expenses of the Farmers Home Administration, ***
- 1 (7 U.S.C. 1921-1990), as amended, title V of the Housing Act of
 - 2 1949, as amended (42 U.S.C. 1471-/1484/ 1490), and the Rural Rehabilitation Corporation Trust Liquidation Act, approved May 3, 1950 (40 U.S.C. 440-444); / \$44,000,000/ \$51,600,000, together with
 - 3 not more than \$2,250,000 of the charges collected *** /: Provided, That, in addition, not to exceed \$500,000 of the funds available, for the various programs administered by this Agency may be transferred to this appropriation for temporary field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944
 - 4 (5 U.S.C. 574) to meet unusual or heavy work-load increases: Provided further, That no part of any funds in this paragraph may be used to administer a program which makes rural housing grants pursuant to section 504 of the Housing Act of 1949, as amended/.
- 5 /For an additional amount for "Salaries and expenses", \$4,500,000./

The first and second changes will bring up to date the U.S. Code citations.

The third change would eliminate the provision for transfer of program funds to this appropriation for temporary field employment. Amounts required for temporary field employment in fiscal year 1967 are included in the estimates for regular Salaries and Expense appropriation. Therefore, this proviso will not be needed in 1967.

The fourth change would delete the proviso, which was added to the 1966 Appropriation Act, prohibiting use of these funds for administering grants under section 504 of title V of the Housing Act of 1949, as amended. There are hundreds of thousands of families throughout rural America who have no debt-paying ability and live in homes that are pitifully squalid. Rural housing grants have proved to be an effective way of helping these extremely low-income families - largely the elderly and physically handicapped - make minor improvements to their homes to remove hazards to the health and safety of the families and the communities in which they live. Unless the grant program is extended, these families will have no hope of improving their housing. The need for funds for this purpose is discussed in more detail in the justification for the item "Rural Housing Grants" under the Farmers Home Administration.

The fifth change deletes language included in the Supplemental Appropriation Act, 1966, which provided a supplemental appropriation of \$4.5 million for administrative expenses relating to loans and grants for water and sewage systems and the expanded rural housing program.

FEDERAL CROP INSURANCE CORPORATION

The 1967 Budget includes the proposed changes in appropriation language as explained below. New language is underscored and deleted matter is enclosed in brackets.

Federal Crop Insurance Corporation Fund

Not to exceed \$4,000,000 of administrative and operating expenses may be paid from premium income: Provided, That in the event the Federal Crop Insurance Corporation Fund is insufficient to meet indemnity payments and other charges against such Fund, not to exceed [/ \$250,000 / \$10,000,000 may be borrowed from the Commodity Credit Corporation under such terms and conditions as the Secretary may prescribe, but repayment of such amount shall include interest at a rate not less than the cost of money to the Commodity Credit Corporation for a comparable period.

The above change in language is requested to increase from \$250,000 to \$10,000,000 the contingency authorization to borrow funds from the Commodity Credit Corporation to meet immediate needs in the event of unforeseen heavy losses. The \$250,000 authorization would not be sufficient to provide the Corporation with the necessary authority in case heavy losses were incurred early in the fiscal year prior to the time premiums were collected.

Based on past experience the Corporation has paid indemnities amounting to approximately 9.4% of the insured liability on two different occasions since 1948. If the Corporation was required to pay 9.4% of the insured liability estimated for crop year 1966, during the months of July through October, past collection records indicate that sufficient premium collections would not be available until November to cover the indemnities. The \$10,000,000 represents the average estimated requirements for the four month period to promptly make payments prior to the collection of sufficient premiums and while Congress may not be in session.

The Commodity Credit Corporation would be repaid as soon as funds become available to the Federal Crop Insurance Corporation. This proposal is made merely for the purpose of assuring the availability of adequate funds to pay indemnities to producers whose crops are insured.

COMMODITY CREDIT CORPORATION

The 1967 budget estimates included the proposed change in appropriation language explained below. New language is underscored and deleted matter is enclosed in brackets.

Reimbursement for net realized losses

To partially reimburse the Commodity Credit Corporation for net realized losses sustained but not previously reimbursed, pursuant to the Act of August 17, 1961 (15 U.S.C. 713a-11, 713a-12),
[\$2,800,000,000: Provided, That after June 30, 1964, the portion of borrowings from Treasury equal to the unreimbursed realized losses recorded on the books of the Corporation after June 30 of the fiscal year in which such losses are realized shall not bear interest and interest shall not be accrued or paid thereon]
\$3,555,855,000.

The change deletes language included in the 1966 Appropriation Act which provided that unreimbursed losses of the Corporation shall not bear interest after June 30 of the fiscal year in which such losses are realized. The proviso is permanent legislation and its retention in the annual appropriation act is not necessary.

FOREIGN ASSISTANCE PROGRAMS

The 1967 budget estimates include the proposed changes in appropriation language listed and explained below. New language is underscored and deleted matter is enclosed in brackets.

Public Law 480

For expenses during fiscal year [1966] 1967 * * *

The change updates the reference to the year involved.

International Wheat Agreement

For expenses during fiscal year [1966] 1967 * * *

The change updates the reference to the year involved.

Bartered Materials for Supplemental Stockpile

For expenses during fiscal year 1967 and unrecovered prior years'
costs related to strategic and other materials acquired as a re-
sult of barter or exchange of agricultural commodities or prod-
ucts and transferred to the supplemental stockpile pursuant to
Public Law 540, Eighty-fourth Congress (7 U.S.C. 1856) \$13,000,000,
to remain available until expended.

This change provides for the appropriation of \$13,000,000 for the barter program. No appropriation was provided in 1966 since sufficient funds for the 1966 program were available from the 1965 appropriation. This language provides for additional funds, which together with unobligated balances will be available for the 1967 program.

GENERAL PROVISIONS

Section 501: Provides authority for the purchase, replacement, and hire of passenger motor vehicles. The following changes are proposed in this section for 1967, new language is underscored and deleted matter is enclosed in brackets.

Section 501. Within the unit limit of cost fixed by law, appropriations and authorizations made for the Department under this Act shall be available for the purchase, in addition to those specifically provided for, of not to exceed four hundred and sixty-four (464) ninety-eight passenger motor vehicles, of which four hundred and forty-eight (448) twenty-one shall be for replacement only, and for the hire of such vehicles.

The estimates propose the acquisition of 498 passenger motor vehicles from funds provided in the Department of Agriculture and Related Agencies Appropriations Act. This number is exclusive of 165 for the Forest Service. Of the 498 vehicles proposed for acquisition, 421 would be acquired to replace existing vehicles and 77 would be purchased without exchange of old vehicles.

Of the 77 vehicles to be acquired without exchange of old vehicles, 4 are for the Agricultural Research Service, and 73 for the Soil Conservation Service.

The four additional vehicles for the Agricultural Research Service would be used as follows: one station wagon is needed in connection with the research program at Morgantown, West Virginia; one station wagon is required for the proposed increase in staffing for the new Fruit and Vegetable Products Laboratory, in Weslaco, Texas, which is expected to be completed by September 1966; one station wagon will be required, at College Station, Texas, for the new Cotton Disease Laboratory; and one station wagon is needed, at Stoneville, Mississippi, due to an increase in the staff at this research station.

Sixty of the additional vehicles for the Soil Conservation Service are proposed for the replacement of a like number of sedan, delivery trucks. This substitution should result in a saving of about \$6,000 a year, since SCS operates sedans for about one cent a mile less than sedan delivery trucks. The allocation of these vehicles will be as follows: Conservation Operations, fifty vehicles; Watershed Planning, four vehicles; Watershed Protection, five vehicles; Flood Prevention, one vehicle. Twelve additional vehicles are needed to provide transportation for river basin survey coordinators and survey staff members in four basins where type IV surveys are proposed for initiation in 1967, in three regions where type I comprehensive surveys are proposed for initiation in 1967, and in the study of the North Atlantic Region, initiated in the fiscal year 1966. One additional vehicle will be needed to provide transportation for survey coordinators and survey staff members in the Appalachian Water Resources Survey already in process. These vehicles are all under the Appropriation "Watershed protection".

The vehicles proposed to be replaced will all be at least six years old or will have mileage in excess of 60,000 miles at time of disposal, with the exception of a limited number which may become damaged beyond economical repair by accidents or necessary operation under adverse conditions, including in some cases, over unimproved rural roads. More detailed justifications of the need for acquisition of the 498 motor vehicles appear in the justification for the applicable agencies.

Section 502: Provides that provisions of law prohibiting or restricting the employment of aliens shall not apply to employment under the appropriation for the Foreign Agricultural Service.

Section 503: Provides that funds available to the Department of Agriculture shall be available for uniforms or allowances therefor as authorized by the Act of September 1, 1954, as amended (5 U.S.C. 2131).

Section 504: Prohibits the Department from issuing any prediction or forecast with respect to future prices or price trends on cotton, except as to damage threatened or caused by insects or pests.

Section 505: Prohibits the Department from purchasing twine manufactured from commodities or materials produced outside of the United States except to provide materials required in or incident to research or experimental work where no suitable domestic product is available.

Section 506: Provides that no less than \$1,500,000 of the appropriation of the Department for research and service work authorized by the Acts of August 14, 1946, July 28, 1954, and September 6, 1958 (7 U.S.C. 427, 1621-1629; 42 U.S.C. 1891-1893), shall be available for contracting in accordance with these Acts.

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